

Sri Jayawardenapura 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 10 April 2019 and the summary report and the Detailed Management Audit Report of the Auditor General on the financial statements had been issued to the Council on 31 July 2019 and 31 August 2019 respectively.

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 Sri Jayawardenapura 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

(a) Accounting Deficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(i)	Fourteen motor vehicles valued at Rs.80,085,000 received from the Ministry of Local Government on 03 November 2016 had not been included in the financial statements.	The all assets belonging to the Council should be brought to account.	Fourteen motor vehicles given to the Council under Colombo Metropolitan Urban Development Project had not been vested with the Council. As such action will be taken for vesting of these motor vehicles and to capitalize in preparing final accounts for the year 2019.
(ii)	The fixed deposit balance amounting to Rs.181,493,058 had been shown under current assets in the financial statements.	The assets should be shown in the balance sheet in an orderly manner of liquidity basis.	In preparation of accounts for the year 2019 action will be taken to enter correctly as pointed out by audit.
(iii)	Issue crew cab vehicle purchased in the year 2017 amounting to Rs.5,700,000 had not been capitalized.	Assets should be acquired and capitalized.	As the crew cab vehicle No. WPP1-0511 was not vested with the Council up to now, action will be taken for formal

course of vesting and to capitalize in preparing of final accounts of the year 2019.

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| (iv) | Three trailers valued at Rs.405,000 and a tractor valued at Rs.900,000 acquired by the Council during the period of 2008 to 2012 had not be capitalized. | All assets should be brought to account. | Action will be taken to account the 3 trailers and the tractor under journal No.02 of the year 2019. |
| (v) | The provisions for creditors amounting to Rs.3,354,848 relating to 16 works executed from the decentralized funds had been made during the year 2018 under direct labour basis of the Council. | The provisions for creditors should be made for the expenses payable relating to the year. | Action will be taken to adjust the error caused due to made provisions for creditors in preparing final accounts of the year 2019. |
| (vi) | Due to violating conditions of the agreements the interest charges and additional cost payable to the contractor of the construction of the Jana Jayacity building amounting to Rs.130,736,933 had not been brought to account. | Action should be taken in terms of the agreement. | Action had not been taken to disclose as the amount of Rs.130,736,933 payable due to delay of the payments to the contractor was not recommended by the consultancy institution. |
| (vii) | A sum of Rs.158,178,354 recovered from the investors on pre-selling basis of trade stalls of Jaya Raja City trading complex had not been shown in the accounts as a liability payable to the external party due to terminate the constructions of the Jaya Raja City Complex. | Should be shown as a liability in the accounts. | Though the construction works of the project was stopped action is being taking by the Council to commence the construction works again after solving the problematic condition. As such it was not shown in the accounts as a liability to be paid to an external party. |

(b) Unreconciled Control Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>A difference of Rs.1,786,634 was observed between the balance of staff loans shown in the financial statements and the balance shown in the schedule.</p>	<p>-----</p> <p>Action should be taken to reconcile the balance and to rectify.</p>	<p>-----</p> <p>This difference was remained brought forward prior to the year 2010. Most of the old registers and related information were destroyed. Action is being taken to reconcile the registers as far as possible and to settle this unidentified loan balance.</p>

**(c) Accounts Receivable and Payable
Accounts Receivable**

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>(i) Entertainment tax amounting to Rs.2,781,680 receivable from 02 cinema halls had not been settled for over several years.</p>	<p>-----</p> <p>Action should be taken either to recover revenue receivable or to eliminate from the accounts with the approval.</p>	<p>-----</p> <p>Commissioner of Local Government had informed that the Treasury had informed the reimbursement of entertainment tax is not made by the Government. Accordingly, it was informed to the Commissioner of Local Government to take action to write off the sum of Rs.2,781,679 which was not reimbursed.</p>
<p>(ii) The staff loan interest amounting to Rs.254,402 receivable from the Department of Local Government relating to the year 2017 had not been reimbursed.</p>	<p>The interest for staff loan should be reimbursed.</p>	<p>The Department of Local Government had informed that it could not be reimbursed the property loan interest receivable relating to the year 2017.</p>
<p>(iii) A sum of Rs.51,000 recoverable for 30 books named "Asirimath Kotte"</p>	<p>The respective money or books should be obtained immediately.</p>	<p>The Government press had issued only 3921 copies of the book of "Asirimath Kotte".</p>

issued to an external party had not been recovered.

The Council had obtained only 3891 books out of that. The balance 30 books had been obtained by the editor of the book, Dr.Dharmarathne Herath and the Council had informed him to pay or to return the books to the Council.

(d) **Lack of written Evidence for audit**
Non-availability of Information

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Six items of accounts valued at Rs.461,701,101 could not be satisfactorily vouched in audit due to non-availability of detailed schedules and the details of the payment confirmations.	----- The evidence should be furnished to confirm the balances of accounts shown in the financial statements.	----- Action will be taken to find and furnish the respective details.

1.4 **Non-compliances**

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
----- (a) Special provisions Act on Local Authorities No.48 of 1971.	----- All immovable properties of the authoritative area of the Council had not been assessed to recover rates and taxes.	----- Action should be taken in terms of the Act.	----- A discussion had been held with the officers of the Department of Valuation headed by the Mayor on 02 July 2019 and they agreed to commence the new assessment from August 2019.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

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| i | Financial Regulation 371(5) | The advances amounting to Rs.400,064 granted to 04 officers in the year under review had not been settled. | Action should be taken in terms of Financial Regulations. | Action is being taken to inform them in writing to settle these advances immediately. |
| ii | Financial Regulation 571 | Action had not been taken on deposit balance remained brought forward since 07 years amounting to Rs.676,800. | Action should be taken in terms of Financial Regulations. | The deposits not refunded during the period from the year 1997 to 2011 has been credited to the Council revenue. Action will be taken to confirm the balances of deposits which were not required to be refunded and not obtained during 5 years from the year 2012 to 2016 and to credit the Council revenue with the approval of the Council. |
| iii | Financial Regulation 1642 | Action had not been taken to report to the police in respect of 13 vehicle accidents caused during the year 2018. | Action should be taken in terms of Financial Regulations. | Replies not furnished. |

(c) **Other circulars**

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| Local Government Circular No.LGD/13/2016 dated 09 November 2016. | The assessment of trade stalls had not been carried out once in 3 years. | Action should be taken in terms of the circular. | According to the letter No.CM/KMC/විවිධ/2019 of the Department of Valuation, dated 26 June 2019 referred to |
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the Urban Commissioner the reports required for the assessment are being prepared to send for the Department of Valuation.

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.333,399,607 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.248,629,914.

2.2 Revenue Administration

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

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue, furnished for the year under review and for the preceding year appears 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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	222,000,000	237,433,234	211,577,509	101,507,737	212,000,000	238,345,909	243,444,275	87,687,889
(ii) Lease Rent	65,053,000	29,562,074	29,302,712	5,522,091	57,609,000	29,283,412	29,618,519	4,541,197
(iii) Licence Fees	6,361,000	6,715,639	6,715,639	-	5,961,000	6,236,406	6,236,406	-
(iv) Other Revenue	379,542,000	468,558,207	466,230,979	3,425,777	368,458,000	334,748,201	334,461,957	1,074,055
Total	672,956,000	742,269,154	713,826,839	110,455,605	644,028,000	608,613,928	613,761,157	93,273,141

2.2.2 Rates and Taxes

Audit Observation

A sum of Rs.24,361,203 had to be recovered from 224 houses, bare lands and business places of which the value of arrears of rates and taxes exceeded Rs.50,000 as at the end of the year under review.

Recommendation

Prompt action should be taken to recover arrears of rates and taxes.

Comments of the Accounting Officer

Action will be taken to implement programmes such as issuing warrants, issuing red notices and issuing restraining orders in the year 2019 to recover these arrears of rates and taxes.

2.2.3 Lease Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
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The arrears of lease rent from 3 trade complexes belonging to the Council and Janatha Pola, Nugegoda as at 31 December 2018 amounted to Rs.1,463,411.	Prompt action should be taken to recover arrears of lease rent.	A sum of Rs.974,829 had been recovered up to 30 June 2019 from the arrears of lease rent of trade complexes of the Council as at 31 December 2018.

2.3 Surcharges

Audit Observation	Recommendation	Comments of the Accounting Officer
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The money should have been recovered as at 31 December 2018 in respect of 14 surcharges amounting to Rs.24,582,843 imposed by me in the preceding years against the responsible parties in terms of section 226(1) of the Municipal Council Ordinance (Chapter 252)	Prompt action should be taken in respect of all surcharges.	The money was paid for 2 surcharges amounting to Rs.549,000 up to now and the money is being paid for one surcharge amounting to Rs.310,000. Legal action is being taken in respect of other surcharges.

3. Operating Review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 4 of the Municipal Council Ordinance such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and wellbeing of the people are given below.

(a) Abandoned Activities

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Even though a sum of Rs.17,651,987 had been incurred in respect of the constructions of Municipal Council works unit, motor vehicle maintenance unit and stores complex building	Action should be taken to complete the projects planned.	The activities of the project had to be suspended due to the public resistance against the project. Action has been taken to construct a playground there at present and the same contractor who had been

commenced during the year 2014, those works had been abandoned even by 31 December 2018 without obtaining the expected results.

- (ii) Even though, the provisions amounting to Rs.3,750,000 had been made in the budget 2018 to execute 03 activities in respect of public welfare, those activities had not been executed entirely.

In making provisions in the budget the Action Plan for the respective year should be followed.

selected for the previous project has agreed to execute the project. Accordingly, the expected result from the amount paid of Rs.17,651,987 could have been obtained.

The provisions were allocated based on the provisions made in previous years in preparing the Budget estimate and the payments are being made for the public welfare services in the disasters occurred on the decisions of the Council. Action is being taken to provide public aid on the requests made by the religious places or elders organizations in providing public aid for religious activities, welfare activities and elders organizations.

(b) Delays of Execution of Activities

Audit Observation

Recommendation

Comments of the Accounting Officer

Two projects of which the estimated value amounting to Rs.682 million which had to be completed the works as at 04 January 2016 and 15 August 2017 respectively had not been completed even by 24 June 2019.

The requirements of the Government Procurement Guidelines should be followed.

The constructions of the housing complexes of Moragasmulla and Anagampitiya had been carried out by the Electro Metal Pressing (Pvt) Ltd. company. Due to the cracks of the Anagampitiya housing complex the above institute had been black listed and as such the works of the Moragasmulla housing complex had been paused as well. Action has been taken to complete the above project under direct labour basis of the Municipal Council. Due to

structural errors of the Jaya Raja City building plan that project had been paused. But the approval of the Council meeting was received to give the contract as a new project under long term lease basis by avoiding lapses existed in this project to the same contractual company.

(c)	<u>Solid Waste Management</u> Audit Observation	Recommendation	Comments of the Accounting Officer
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(i)	Waste Management in Southern Zone ----- A sum of Rs.94,354,293 had been paid to a private institution in respect of the period from January to December 2018 for the waste management of Sourthern Zone of the authoritative area of the Sri Jayawardenapura Kotte Municipal Council. The following matters were observed in this regard.	An accurate register should be prepared and should be responsible for the payments.	The road register of the Engineering section had been used in preparing road register. The highways, provincial roads municipal Council roads, and some private roads and roads vested with the Council recently and the roads newly developed were not included in this register in carry out tender activities. The roads for which services not provided will be examined and the charges will be reduced accordingly and will be paid.
	<ul style="list-style-type: none"> • According to the agreement entered in to with the contractor 444 roads which should be cleaned by the contractor had been included. But it was different from the road register furnished to audit by the Council. At the physical inspection carried out relating to above roads, the roads could not be identified accurately by the supervisor in charge of the contractual company 		

and the health Inspector of the Council. Further the sufficient staff had not been deployed by the contractor to sweep the roads and clean daily, and the roads had not been swept and cleaned properly.

- According to the Section No.31 of the contractual agreement the reports of a responsible officer of the Council had not been obtained that the contractor had executed the work properly such as collecting of waste, of the authoritative area of the Council. sweeping the roads, removing dust and removing weeds.
- According to the Section 100(1) of the Municipal Council Ordinance, the Council had not cleaned the drainages of the area and action had not been taken relating to 75 per cent public complaints received for the Council.

Action should be taken according to the agreement.

The Public Health Inspector was deployed for the supervision of waste management activities in southern zone and action will be taken to prepare methodologies to obtain the reports thereon and proper confirmations.

Action should be taken according to the Municipal Council Ordinance.

Except that the matters such as lack of employees and irregular disposals making by public, these activities are being carried out by utilizing the labour and the ability of the employees of the Urban Health Unit efficiently.

(ii) Waste Management in Northern Zone

 * A sum of Rs.97,984,639 had been incurred as salaries and overtime allowances of employees vehicle repairs, fuel and the charges of waste disposal for the waste management activities of the Northern Zone of the Council. The following matters were observed in this

- regard.
- * According to the Circular of the Western Provincial Commissioner of Local Government No.LGD/03/2017 dated May 2017, action had not been taken to obtain waste after 100 per cent separation to mitigate the amount of collection of waste by the Local Authorities out of the waste generation within the province.

A correct methodology for separation of waste should be introduced and followed.

The notices had been printed and distributed among the residents of the authoritative area of the Council informing the public for separation of waste and to hand over to the Council vehicle. In the instances of mixing of bio degradable waste and solid waste. the Council has instructed the employees of the Council not to take those waste. The employees had been informed to take waste after separation of 100 per cent at present.
 - * Even though, the Council had informed by written hand bills to compost the bio degradable waste of the residents who is having ownership of a land more than 10 perches in terms of the above Circular, a follow up action had not been taken thereon.

A proper follow up action should be followed.

Only one Public Health Inspector was available to inspect the all health problems of the Municipal Council and as such there is no situation to inspect all fields by him. Action will be taken to instruct him to conduct inspections in possible instances to take follow-up actions and to give relevant instructions to correct if have changes.
 - * Even though. a waste selling fair should be conducted monthly by all local government institutions according to the paragraph 08 of the above circular, the waste selling fair had been conducted twice only for the year 2018. Further, the reports that should be sent to the Assistant Commissioner of Local Government and to the Solid Waste Authority had not been sent.

The waste fair should be conducted properly.

Even though, the public was informed in conducting waste fair twice in the year 2018 any buyer had not come to obtain those. As such, an income was not earned and the reports also not sent.

(d) Sustainable Development Goals**Audit Observation****Recommendation****Comments of the Accounting Officer**

Even though, the Council had aware the 2030 Agenda relating to Sustainable Development Goals, it was not implemented during the year under review.

Should be implemented according to the 2030 Agenda.

The officers of the Council had participated for this programme and the draft of the 2030 Sustainable Plan had been made. Action will be taken to submit that plan to the Council meeting and after receiving approval it will be implemented.

3.2 Management Inefficiencies**Audit Observation****Recommendation****Comments of the Accounting Officer**

(a) As not contracted for the fire brigade services with the local authorities of Kaduwela, Kotikawatta, Homagama, Seethawaka an income of Rs.1,125,000 for the year 2018 had been deprived.

The required steps should be taken immediately for the contracts.

It was informed in written on 21 September 2018 to the Local Government Institutions to inform their agreement for give assistance of fire brigade services. But the agreement was not carried out.

(b) A sum of Rs.223,623 paid as telephone charges for 75 mobile telephones with mobitel connection given by the Council for 75 officers for official work according to a proposal of a standing committee had not been recovered from officers/employees.

The laws, rules and regulations issued should have been followed in respect of providing telephones for public officers.

The Council has paid only Rs.500 maximum monthly per person for these telephone connections. If exceeded above amount it will be charged to the salary of the user of the telephone.

(c) Out of 4000 copies of the book named "Asirimath Kotte" printed by incurring Rs.2,825,375 in the year 2015, 3119 books and 875 covers of above book valued at Rs.65,325 were remained in the stores and as such prime objective stated by the Council "The objective of printing of the book was to carry out again the memory of historical glory of kotte among the

Action should be taken to utilize the book.

The Council has decided to provide the "Asirimath Kotte" books remained in the stores to the libraries of schools under the Ministry of Education.

school children and the over all readers throughout the country” was not established.

- (d) The files had not been maintained for the works executed on the direct labour basis from the Council funds in the current year and the works had been executed by obtaining advances based on the estimates of the works superintendent and the technical officer in charge of respective work and the purchasing of necessary material on the consent of the said officers. A large amount had been reimbursed from the Council as expenditure incurred by the officers for the expenditure exceeded the advance amount granted. In this context it was not established the reliability in respect of stock control and the cost of goods purchased and goods remained in the stores as the goods were not purchased through supplies division and the main stores.

The Procurement Guidelines should be followed in execution of works and purchases of goods.

Most of the works had been executed by utilizing direct labour in the current year. The works had been executed as urgent and essential works on priority basis. Action has been taken as far as possible to reduce the obtaining of advances by the officers except above urgent instances. In obtaining raw material stocks from outside using advances the required lowest quantity, only has been obtained and as such the excess stocks of raw materials were not remained.

3.3 Human Resources Management

(a) Vacancies and Excesses of Staff

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Sixty two vacancies and 37 excesses had existed in the actual cadre of the Council as at 31 December 2018.</p>	<p>Action should be taken to update the report of the cadre and to fill vacancies.</p>	<p>The Commissioner of Local Government (WP), Secretary of Local Government and Chief Secretary (WP) had been informed to fill these vacancies. But the officers had not been appointed for these vacancies, so far and the officers for the posts of Accountant, Law Officer and Administrative Officer had been recruited for a period of one year on contract basis to</p>

ease the management activities.

(b) Staff Loans

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
A staff loan balance which could not be recovered from 122 employees who transferred out, retired and vacated of post totalling Rs.2,157,730 comprising Rs.930,468, Rs.359,115 and Rs.868,147 had remained outstanding for over 10 years, for over 05 years and less than 05 years respectively.	The arrears of staff loan balances should be identified and should be recovered from relevant employees sureties and from the pension gratuity.	Letters and reminders has been sent to the officers who obtained the relevant loans to recover the loans Action is being taken to find the information on loan balances brought forward from a long period and to recover in future.

3.4 Operating Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Action had not been taken to dispose 05 condemned vehicles valued at Rs.5,900,000 included in the vehicle fleet of the Council.	Action should be taken to dispose the condemned vehicles immediately.	Action is being taken to auction and to sell these vehicles.

3.5 Assets Management

----- Idle / Under Utilized Assets -----		
----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) The community hall building constructed in a land situated in Arunodaya Mawatha belonging to the Council prior to 15 years had remained decaying without being made any reconstructions.	Action should be taken to utilize the respective building.	This building had remained in decaying position at present. As such the roof tiles were removed with an objective to submit a new project proposal.
(b) Seven thousand one hundred thirty five books valued at Rs.192,746 purchased to distribute among the	Action should be taken to distribute before destroying	In ordering of books for the books distribution programme for the school children for the

school children for the academic year 2016 had remained decaying without being utilized for any purpose.

the exercise books.

year 2018, the books had been ordered only for balance amount of books. considering the books remaining in the year 2016. At present a small amount of books had remained and those books also will be utilized in distribution of books for the school children in the year 2019.

3.6 Identified Losses

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Construction of Anagampitiya Housing Complex</p> <p>The residents of the 02 storied housing complex constructed by the Council incurring Rs.48,320,909 in the year 2015 had informed that the walls and the slab of the building were cracked by the year 2016 and thereafter the residents were removed from the building and had been given temporary places. A sum of Rs.1,016,261 had been paid to the National Building Research Organization to obtain a quality test report in respect of the construction of the housing complex on the decision of new management committee in the year 2017. Accordingly, the total cost amounting to Rs.49,337,170 had been incurred to construct the above building by 31 December 2018. But the necessary action against the contractor had not been taken in respect of the breach of contract and action taken without a responsibility.</p>	<p>The responsible parties should be identified and action should be taken to recover.</p>	<p>An agreement had been entered into with the Electro Metal Pressing (Pvt) Ltd. company which selected according to the Government tender procedure in the year 2015 for a sum of Rs.40,823,485 without VAT. But in the soil testing carried out, as the foundation of the plan not sufficient. the Council approval had been received for 20 per cent of additional sum of the agreed amount to give for the contractual institution to execute this work This work had been completed and handed over to the Council by 10 April 2016 and the residents had been settled there but the walls and the slab were cracked by August 2016. According to the report of the National Building Research Organization and the designs</p>

(b) A cab vehicle of which the market value amounting to Rs.7,000,000 belonging to the Council had been removed from the custody of the Council on 15 August 2017 and handed over for utilizing as the official vehicle of the Secretary of the Governor of the Western Province. The vehicle was met with a fire in the premises of private house of the Secretary of the Governor on 17 August 2017 and was destroyed. Even though, it was revealed that the vehicle was fired due to mix with a flammable type fuel, action had not been taken to recover the loss from the responsible parties.

Prompt action should be taken to recover the loss incurred by the Council from the relevant parties.

of the plan, action was taken to construct a new retaining wall. Action will be taken to institute legal actions against the contractual company in respect of the loss incurred and the breach of the agreement.

According to the final report of the investigation carried out under Financial Regulation 104(4), the Secretary of the Governor who utilized the above vehicle and the driver named S.A.D. Umesh Dunishka are responsible for the above accident and the above report dated 14 January 2019 has been referred to the Western Provincial Commissioner of Local Government and to the secretary of the Governor for further action.

3.7 Procurements

3.7.1 Procurement Plan

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Procurement plan had not been prepared in terms of the Government Procurement Guidelines.	The Procurement plan should be prepared.	Replies not furnished.

3.7.2 Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Construction of reading hall with “Sewa Piyasa” in a land belonging to Subadrarama Athula Raja Maha Viharaya, Gangodawila, Nugegoda</p> <p>A land on a lease basis for a period of 35 years from 15 March 2015 to 14 March 2050 had been obtained by the Council to construct a reading hall and a Sewa Piyasa in a land extent of 24.35 perches belonging to the Subadrarama Athula Raja Maha Viharaya Gangodawila Nugegoda and a sum of Rs.1,680,000 consisting of Rs.1,000,000 and Rs.680,000 had been paid on 15 April 2015 and 29 April 2015 respectively. The contract for an estimated cost of Rs.17,272,350 to construct a Community Centre in this land had been entrusted to a private contractor on 21 August 2015. Even though, the soil testing of the land should be carried out before awarding the contract the soil testing of the land had been carried out after awarding the contract. A sum of Rs.273,615 had been paid to the Central Engineering Consultancy Bureau on 26 November 2015 thereon. As the contractor had abandoned the construction contract by 27 August 2018 the amount incurred amounting to Rs.1,953,615 for above contract had become a fruitless expenditure.</p>	<p>Prompt action should be taken to utilize the properties obtained on the long term lease basis for providing services to the community.</p>	<p>As the commercial value of this land is going up the ownership of the land for the council was confirmed by paying respective taxes and it was proposed to construct a 3 storied building for multi-purpose activities in that premises.</p>

(b) Jaya Raja City Project

An agreement had been entered into with a private contractor for a contract value amounting to Rs.619,276,616 in respect of construction of Pitakotte Jaya Raja City mixed Development Project on 15 February 2016 and the project should be completed on 15 August 2017. The agreement had been entered into with a consultancy company under a fee of Rs.27,867,447 for this project. Nevertheless, after the constructions had been stopped temporarily as cracks were shown in the foundation and ground due to the material errors of structural plan of the building, the contractor had abandoned the site by 10 September 2018. As such the Council had decided in the Council meeting on 14 February 2019 to abandon the work due to that the constructions of the project could not be carried out according to the above plan. The following matters were observed in this regard.

(i) Despite, that the project was stopped halfway due to the errors of the structural plan, 95 per cent of the fee of consultancy company amounting to Rs.26,381,183 relating to that had been paid and a sum of Rs.229,326,280 with the tax including the advance money of 20 per cent of contractual amount and the value of 6 bills submitted had been paid to the contractor.

Prompt action should be taken to recover the total value incurred by the Council.

As per the agreement 68 per cent of the agreed amount had been paid for the period of 10 months from 10 March 2015, the date of the agreement up to 04 January 2016, the date of commencing the project. About 23 per cent had been paid out of the 30 per cent of fee to be payable for the contract administration stage for the period of 14 months from 04 January 2016 up to March 2017, when the project was stopped due to the structural errors. Accordingly about 92 per cent of the fee

- (ii) The Council had not taken action to recover a sum of Rs.26,381,183 paid to the consultancy firm responsible for the unsuccess of the project and action had not been taken to recover the advance amount paid to the contractual company, and to encash the performance bond amounting to Rs.30,963,831 and 02 advance guarantees amounting to Rs.90,506,309 furnished by the contractor before expiry of the date.
- (iii) A sum of Rs.6,780,000 had been paid to the Sri Lanka Transport Board for the year 2018, to dwell the owners of the trade stalls who dwelled in the old building up to completion of the constructions of the project.

Action should be taken in respect of the officers responsible for non-taking respective action before expiry of the validity period of the performance bond.

The officers should take action responsibly in respect of the extra expenditure incurred by the Council.

had been paid as per the agreement.

It was informed to the bank in writing in the 02 instances to extend the validity period of the performance bond and 02 advance guarantees.

The Project should have been completed in the year 2017 but the project was delayed due to structural errors and there was no other place to give for traders. As such the payment had been made to Sri Lanka Transport Board for dwelling of owners of the trade stalls.

(c) **Construction of 4 storied Housing Complex consisting of 18 Units of houses in the land on which situated earlier the clinic building in 4th lane Moragasmulla**

It was decided to remove the old building existed in the 4th lane, Moragasmulla and the dental clinic, body building centre and the library maintained there on and to construct 4 storied housing complex consisting of 18 units of houses in that premises. The contract had been awarded to a private institution on 01 June 2016 at a contract value of Rs.69,704,581 to construct and hand over the building

within a period of 6 months. The following matters were observed.

(i) The evidence not made available in respect of the manner of disposing timber logs, door frames, rafters and other valued accessories removed from the old building or the way of utilizing.

The articles removed from the old building should be recorded and handed over to the stores and utilized or to be removed and the records thereon should be maintained.

As the old building had remained decaying it was abandoned without being utilized. The goods which could be utilized remained therein had been utilized to repair the buildings carried out by the Council and the goods which decayed due to termites etc. had been destroyed.

(ii) A sum of Rs.25,511,312 had been paid by the Council to the contractor and at the physical inspection carried out in September 2018 it was revealed that any person was not dwelled there, the works of the building was not completed, the essential basic facilities such as water, electricity etc. were not available, the contractor had abandoned the work and the premises around had become a jungle, even though there is a plaque showing that it was opened to the public on 15 August 2017.

The operational activities of the Council should be carried out according to a proper methodology.

Even though, the houses had been handed over to the owners by 15 August 2017 the balance work of the building had not been completed. But as the residents had not dwelled there, action will be taken to complete the project utilizing direct labour of the Council and to dwell the residents there.

(d) Construction of Municipal Council works unit, vehicle maintenance unit and stores complex building in Nanayakkara Mawatha

A contract had been entered into with a private institution by the Council at a contract value amounting to Rs.46,973,098 on 27 August 2014 to construct Municipal Council Works Unit, vehicle maintenance unit and stores complex building. The following

matters were observed in this regard.

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|---|---|--|
| <p>(i) Evidence was not made available that an evaluation had been made by the Council, on the post qualification of the bidder and the capacity of the bidder to execute the contract effectively and the resources available in terms of Guideline 7.10(a) of the Government Procurement Guidelines.</p> | <p>In evaluation of bids it should be considered the experience of the bidder in similar works and the financial capacity in addition to considering the lowest price.</p> | <p>An evaluation committee had been appointed to evaluate the prices quoted by the bidders, experience and capacity, and an evaluation in respect of qualifications had been done by a committee consisting with the Commissioner of Local Government, Deputy Director of Urban Development Authority, Urban Accountant, Urban Engineer and the Technical Officers and had been selected a tenderer. The Municipal Councils approval was received for the evaluation committee report.</p> |
| <p>(ii) Even though the Council had accepted the performance bond of the contractor amounting to Rs.2,348,653 issued by the “Sanasa Bank” Ukuwela on 11 August 2014, that bank was not a approved bank of the Central Bank of Sri Lanka.</p> | <p>The bonds for the agreements should be obtained only from the accepted banks.</p> | <p>Even though, the bank from which obtained the Performance Bond was not a bank approved by the Central Bank of Sri Lanka it was a registered bank under ISO 9001-2000 certificate No.QSC 0281.</p> |
| <p>(iii) A sum of Rs.2,576,329 had been paid to the contractor exceeding the estimated cost for the works not included in the building plan at the construction of foundation level.</p> | <p></p> | <p></p> |
| <p>(iv) Despite that, an advance of 20 per cent and a sum of Rs.17,651,987 had been paid to the contractor by 12 February 2015 for the work done the contractor had abandoned the worksite. but the Council had not taken action to encash 2 bank guarantees valued at Rs.11,743,270 furnished by the contractor even though a period</p> | <p>Action should be taken against the responsible officers who had not carried out soil testing of the land in planning of the project, not designed the extent of foundation of the building properly and not taken action</p> | <p>The works had been temporarily stopped after made complaints to the police due to threatening of the external parties to the contractor and the employees against the constructions. It is expected to commence an indoor stadium instead of original building.</p> |

of 4 months was available further to mature it. Accordingly, a sum of Rs.17,651,987 incurred for this work had become a fruitless expenditure. The value of the overpaid money to the contractor as at that date amounted to Rs.6,183,416.

to minimize the loss incurred to the Council encashing, the bank guarantees before mature those.

(e) Construction of new Municipal Council Building in the land close to Welikada Police Station.

An agreement had been entered into with a consultancy company on 26 January 2015 under a fee amounting to Rs.36,010,657 for architectural works to construct a new building for the Municipal Council in a land belonging to the Council close to the Welikada Police Station and a sum of Rs.22,220,340 had been paid. According to the Council decision on 07 May 2015, an agreement had been entered into with the consultancy company to construct above construction in the Council premises and a sum of Rs.4,000,000 had been paid thereon but the constructions had not been commenced even by 31 December 2018. The consultancy firm had instituted an arbitration case against the Council to recover a sum of Rs.15,138,788 recoverable from the Council and a sum of Rs.259,000 had been incurred as legal fees thereon. Therefore, the money spent amounting to Rs.26,479,340 on behalf of the contract had become an uneconomic and fruitless expenditure.

The place for the large scale construction should be specified before the constructions and the expenditure to be incurred should be estimated and action should be taken according to the Procurement Guidelines.

Even though, it was decided to construct the proposed new Municipal Council building in the land close to the police station, it was changed considering the matters such as planning of light railway and Rajagiriya fly over running close to the above land and increase of commercial value of this land and decided on 07 May 2015 on the council meeting to construct the new building at same premises of existing Municipal Council building at present. The instructions had been given to the consultancy firm to prepare new plan only making suitable changes considering the change of the land. After completion of 0.51% of the works a sum of Rs.4 million had been paid to the company. That company had instituted an arbitration case due to non-payment of balance money

(f) Jana Jaya City Project

An agreement had been entered into with a private contractor by the Council on 01 August 2014 at a contract value amounting to Rs.1,687,986,224 and a sum of Rs.1,801,168,022 had been paid as at 31 December 2018. While action had not been taken on contingencies and extra works amounting to Rs.113,181,798 included in that payment in terms of Guideline 8.13.4 of the Procurement Guidelines. The contractor had not handed over the work done certificate after completion of the project even by 12 October 2018 in terms of Guideline 8.12.2 of the Procurement Guidelines. Despite, that the lapses existed in the building, the Council had handed over the keys of the trade stalls to the owners on 12 October 2018.

A completion certificate for the project should be obtained from the contractor.

The separate keys for each floors for the Jana Jaya City Super Trading Complex of which constructions completed by the Nawaloka Constructions (private) Company had been handed over to the Council. Accordingly, the keys had been given for relevant owners of the trade stalls of that floors on 12 October 2018. An agreement had been entered into with the Nawaloka Company by the Council for a sum of Rs.1,687,986,244 on 01 August 2014. After that under the recommendation No.62.29 of physical planning works and transport on 07 February 2019 and Council meeting No.06-01 the approval for a sum of Rs.281,905,884.02 had been received in respect of contingencies and extra works.

3.6.3 Annual Boards of Surveys

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>A survey had not been conducted as at 31 December 2018 in respect of inventory goods belonging to the Council amounting to Rs.442,459,154.</p>	<p>A Board of Survey should be conducted as at 31 December in every year in terms of Financial Regulations.</p>	<p>A Board of Survey on inventory goods is being carried out at present. Action will be taken to produce the respective report to the future standard committees and the Council meetings.</p>

4. Good Governance and Accountability

4.1 Unresolved observations and Unreplied Audit Queries

Unreplied Audit Queries

Audit Observation	Recommendation	Comments of the Accounting Officer
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The replies had not been furnished to an audit query issued in the year under review totalled Rs.229,326,280.	Replies for audit queries should be furnished immediately.	The replies for above audit query will be furnished immediately.