

Moratuwa Municipal Council

Colombo District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 28 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Council on 31 July 2020 and on 21 August 2020.

1.2 Qualified Opinion

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 Moratuwa Municipal Council give a true and fair view of the financial position as at 31 December 2019 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
(i) Although the Council had agreed to pay a penalty of Rs.421,328 for value added tax which had been defaulted in the preceding years, provisions for this had not been allocated in the financial statements for the year under review.	Necessary action should be taken within the respective period.	Letters has been sent to the Inland Revenue Department in 2017 seeking relief for the removal of the fine, but no reply received. If unable to settle, noted to disclosure in the accounts for the coming year in the notes to the accounts.
(ii) The stock balance in hand at the end of the year under review, had been accounted less by Rs.6,346,987.	Should be accounted correctly.	Up to now only fuel and ayurvedic stocks have been accounted. But action will be taken to account all stocks in hand in future.
(iii) The Council had lost Rs.234,500 in seven instances when the allocation of De Soysa Stadium, in the previous year due to not charging the correct charges.	Should be accounted for as a receivable balance.	As those sports are considered as class 111 sports lesser charges were imposed. Will take action to settle that lost amount in the

Further that amount had not been accounted as a receivable balance.

future.

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| (iv) | Although the amount Of Rs.30,664,945 to be paid to Waste Management Authority as at 31 December 2019, and it was accounted for as Rs.27,017,684 in the financial statements. | The correct balance should be accounted. | Action in being taken to confirm the balance. |
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(b) Unreconciled Accounts

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
An excess of Rs.2,975,407 and shortage of Rs.12,110,331 had observed, when comparing the balances of three accounts with the related schedules in the financial statements.	Accounts balances should be corrected after reconciling the differences.	Differences between the balances and schedules in the accounts of staff loans, arrears in rates and dishonoured cheques will be identified and action will be taken to settle them in future.

(c) Accounts Receivable and Payable

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Accounts Receivable ----- Council had failed to recover 14 outstanding balances valued at Rs. 47,105,982.	Action should be taken to recover the receivable revenue immediately.	Action will be taken to correct.

Account Payable

----- The development reserve of Rs.10,000 and the sinking fund balance of Rs.89,210 which are continues by showing in the financial statements for many years had not been identified and settled even by end of the year under review.	Action should be taken to identify and settle the amount of account payable.	Action will be taken to settle the development reserve and sinking fund balances.
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(d) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Necessary information relating to seventeen accounts aggregating Rs.215,887,025 had not been submitted to audit.	Schedule or necessary information should be submitted to confirm the balances.	Action will be taken to correct.

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.

Reference to Laws, Rules Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Section 218 of the Municipal Council Ordinance (Chapter 252)	The Mayor had not furnished to the Council and the Minister, the Annual Administrative Report containing the details on the administration of the Council in each financial year.	Action should be taken in accordance with Section 218 of the Municipal Council Ordinance (Chapter 252).	No comments.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka ----- FR 756	Annual board of survey had not been carried out for fixed assets and stock in hand valued at Rs.400,488,986.	Should be act in accordance with the FR 756.	The auction of scrap goods has been completed on 01.11.2019. Therefore, it was unable to conduct the survey within the stipulated time.

(c) Motor Traffic
(Amendment) Act
No.08 of 2009

Paragraph 16	Three vehicles had been repaired at a cost of Rs.3,713,500, changing the original nature of the vehicle without the prior written approval of the Commissioner of motor traffic.	Action should be taken in accordance with paragraph 16	Hc 1800- Approval of the Commissioner of Motor Traffic. PB-7688- submitted for approval. 226-2031- Removed from service due to an unrepairable technical fault
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1.4.2 Transaction without Adequate Authority

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Payments amounting to Rs.953,715 and Rs.1,086,807 had been incurred in 2015 and 2016 respectively from the Council Fund for accidents and health insurance coverage of 27 members of the Council for which provision had not been made according to the sub – section 188(1) of (chapter 252) of the Council Ordinance. Action had not been taken to recover the Rs.1,703,022, the amount recoverable even by end of the year under review.	The loss incurred should be recovered.	Action will be taken to recover in future.
(b) A sum of Rs.615,000 had been incurred from the Council Fund for providing mobile phones to 41 Municipal Councilors violating the provisions made under Section 289 of Section 188 (1) of the Municipal Councils Ordinance (chapter 252).	Municipal Council Ordinance (Chapter 252) Subsection 188 (1) should not be violated.	Mobile phones are used as an essential and also as a popular device in current society. Compared to landline telephone charges, mobile phone charges had also been come down sharply in the current competitive environment.

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 2019 amounted to Rs.8,888,075 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.503,990.

2.2 Financial Control

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	According to Section 206 of the Municipal Councils Ordinance (Chapter 252) overdrafts facilities amounting to Rs.260,414,300 had been obtained in 20 occasions during the year under review and according to the bank statement the overdraft balance as at 31 December 2019 was Rs.15,515,963.	should be taken to minimize the obtaining overdraft facilities.	No comments
(b)	Transactions had not been carried out to use money retained in the savings account in the National Savings Bank on behalf of the Urban Development Authority, which had a balance of Rs.5,144,199 for development projects of the city.	Action should be taken to use it for development projects.	It is not possible to spend money in this account for general expenses and this money will be spent for the city development projects with the proper approval of the Urban Development Authority.

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 appear below.

Source of Revenue	2019				2018			
	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. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Rates and Taxes	126,200	117,577	95,561	154,778	126,700	113,828	106,384	157,037
Rent	35,000	12,507	12,614	2,930	13,024	12,676	12,780	2,786
Licence Fees	29,325	22,097	21,733	2,933	22,976	24,308	24,482	2,933
Other Revenue	667,663	602,412	586,651	125,998	680,265	508,316	524,686	109,828

2.3.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) One hundred seventy units of rates of which value over Rs.50,000 amounting to Rs.65,386,348 had not been recovered.	Action should be taken to recover the outstanding rates and taxes.	There are some arrears of rates tax relevant to government property as well as property that should give tax concession. Action will be taken to recover the arrears by conducting mobile services and retraining the property.
(b) Although outstanding business tax balance of Rs.51,555,323 as at 01 January 2019. Council had failed to recover amounting of Rs.50,384,523 or 97 per cent. Billed revenue for the year under review was Rs.7,877,100 and the Council had failed to recover Rs.50,384,523 or 98 per cent of that amount.	Action should be taken to recover the outstanding business taxes.	As there is a delay in updating the business tax ledger and go back to the documents before 1998 and to be checked many years to rectify it. Action will be taken as soon as possible and rectify this.

2.3.3 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) One shop in the Central Market since 2015 and 9 shops in the Digarolla Daily	Action should be taken to leased out.	Bids have been called for the lease out 10 shops in Digarolla Daily market, but

market since 2011 had not been leased out.

no bids have been received. Even though bids were called again after deducting 50% of the previous amount and security deposit charged for the above shop under No. 6(9) 2(1) of the Monthly General Report no response. Two rooms with electricity meters, compost plant and sales outlet are not been leased out.

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| (b) | A sum of Rs.951,557 was due from 26 properties which were in arrears for more than 10 installments. | Action should be taken to recover arrears of rent. | Submitted to the Hon. Chief Minister for approval to write-off from registers. |
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2.4 Surcharge

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
As at 31 December 2019, a sum of Rs.760,173 was to be recovered relating to surcharges imposed by me in previous years against the responsible parties in terms of the provisions of the Municipal Councils Ordinance.	Action should be taken to recover from the responsible parties.	No comments.

3. Operating Review

3.1 Performance

The following are the observations made relating to the regulation and control of matters of public health, public utility services and public roads, and the performance of the duties which were to be performed by the Council for the welfare and convenience of the people under Section 4 of the municipal Council Ordinance.

(a) Solid Waste Material Management

Audit Observation	Recommendation	Comments of the Accounting Officer
The arrears of garbage tax as at 01 January 2019 amounted to Rs.20,101,581 and only Rs.3,255,790 had been recovered even by the end of the year under review.	Action should be taken to recover the garbage tax receivable.	Surveys are currently being carried out to ascertain which institutions have been closed down and to remove them from the register in a formal manner and to collect fees from other institutions.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The balance amount of Rs.381,969 caused due to misappropriation of rates coming from a long period had been brought to account as current assets in the financial statements. However, disciplinary orders had been received on 14 February 2011 to recover Rs.241,749 from the officer at the time of his retirement. Action had not been taken to recover it even up to the end of the year under review.	Action had been taken to recover the loss.	Disciplinary orders has been given to recover Rs.100,000 out of the money lost to the council from the pension gratuity at once and to recover the remaining amount from her arrears of pension. Accordingly, action will be taken after the retirement completing the age of 55 years.
(b) It was ordered to recover from the driver the amount of Rs.3,001,717 imposed to the driver who found guilty for the accident, but the Council had paid that amount from the Council Fund. The Council had recovered Rs.112,205 from December 2014 to February 2019 and Council had not recovered receivable amount of Rs.2,889,512.	A preliminary investigation should be carried out and action should be taken to recover the loss.	The Office of the Assistant Commissioner of Local Government has commenced a formal disciplinary inquiry into the matter and will take further action once its decision is received.
(c) The Council had a responsibility of paying a surcharge amount of Rs.1,549,200 to the Employees' Trust Fund due to not sending	Action should be taken to recover from the responsible parties as per FR 156.	No comments.

reports and delays in payment in respect of the period 2003 to 2015 and amount of Rs.1,088,565 had been paid by the Council from 2015 to April 2019. But action had not been taken to recover the balance from the parties who were responsible.

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| (d) | According to the court order issued on 20 July 2018 the case filed against the Council relating to the approval of the Plan No. 1329 / money, action had not been taken to recover Rs.11,602,308 paid by the Council from the relevant responsible officer as compensation and legal fees even in the year under review. | Action should be taken to recover from the responsible parties as per FR 156. | No comments. |
| (e) | Although Rs.43,822 advances made by the Council in 11 occasions from 2000 to 2003, had been write off with the approval of the council due to not settling of those, the approval of the Minister had not been obtained for the written off, under Section 266 of the Municipal Council Ordinance (Chapter 252). | Action should be taken to recover from the responsible parties as per FR 156. | Council was decided at the monthly meeting held on 06.12.2018 to write-off under Section 266 (a) of the Municipal Council Ordinance as those voucher files have been discarded. |

3.3 Human Resources Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) There were 96 vacancies as at the end of the year under review. The activities of the Council could not be carried out efficiently and effectively out of those 5 vacancies in the senior level posts in existence.	Action should be taken to fill the essential vacancies.	The Chief Secretary and Provincial Public Service Commission have been informed and action will be taken to fill the vacancies.
(b) Fifty five employees had been recruited for projects, contract, casual and substitute basis by the Council and a sum of paid Rs.7,398,680 had been as salaries and allowances.	The proper approval should be obtained to recruit, and provision should be made, at the beginning of the year.	Employees have been recruited for approved projects to continue the work of the Council.
(c) There were 36 employees not performing their regular duties and	Employees should be deployed in their	Until the vacancies are filled in order to carry out duties properly out of the

had been engaged in some other duties.

regular posts.

permanent post they were engaged in some other duties.

Many of them have already been attached to regular posts at present.

(d) As per Public Administration Circular No.25/2014 dated 12 November 2014, 112 employees who had been given permanent appointments had not been included in the approved cadre of the Council even as at 31 December 2019 and Rs.36,060,932 had been paid as salaries and allowances to those employees during the year under review.

Should be included in the approved cadre and action should be taken to reimburse salaries.

Details included in the proper format of 11 employees have been sent to the Department of Management Services for include them to the approved cadre.

(e) Loan balance totalling Rs.2,136,247 included, Rs.819,721 from 32 officers who had been interdicted and left the service, Rs.307,951 from 16 deceased and retired officers, Rs.1,008,575 from 12 officers transferred and remained without been recovering any amount during the year under review.

Action should be taken to recover loan balances.

Of the 32 officers who were interdicted and left the service, no recoveries were made in 2019 but further steps are being taken to recover. Except 4 all other officers are paying in installments.

(f) Action had not been taken to settle the outstanding balance of Rs.1,573,627 from 128 officers included in the Non-Performing loan register.

Action should be taken to recover from the surety in the event of default.

None of the loans mentioned in the non-performing loan register had been repaid till 31.12.2019 but further steps are being taken to recover.

3.4 Operational Inefficiencies

Audit Observation

(a) Two strips of the indoor stadium's cricket practice of the De Soyza Stadium had not been used for a period of two years, and the nets

Recommendation

Action should be taken to earn revenue from the indoor stadium.

Comments of the Accounting Officer

The Mayor also recommended to the Sports Committee that the renovation work of the De

fitted to separate the stripes were in a state of dilapidated. Further 10 mercenary bulbs fitted on to the either sides of the strips were not working.

(b) A two storied building named 'Moratuwa Sports Club' had been established in De Soysa Stadium and had been leased to a third-party for a club house and to a fitness center by the Moratuwa Sports Club for Rs.25,000 and a sum of Rs.30,000 per month respectively. It was also revealed that the Moratuwa Sports Club is making a lot of money at the time of cricket matches are held.

(c) The posts of 09 fire brigade officers working in day and night service have been vacant since 2014.

(d) The fire department did not have 256 equipment relating to 26 items needed to run the fire department

(e) Two fire vehicles valued at Rs.2,600,000 received by the Council in 1985 and 2006 were not registered even by the end of year 2019.

Should be act according to the agreement

Action should be taken to fill the vacancies.

Arrangements have to be made to provide necessary equipment to the fire brigade, which is an essential service.

Fire vehicles should be registered.

Soyza Stadium to be carried out in collaboration with the Ministry of Sports and the Sports Board, with the shortcomings pointed out in the audit.

As the De Zoysa Stadium is a legal property of the Moratuwa Municipal Council, the Moratuwa Sports Club has been informed to remove all equipment and to hand over the ownership of the building to the Moratuwa Council. Not yet move out. Look forward to take legal action if do not leave this land.

No comments.

As it is difficult to bear the burden as a local government, institution the Local Government Department provides the necessary mechanical equipment to the fire brigade.

There is no information required for the registration of the fire truck received in the year 1985 and the necessary steps are being taken to obtain the registration certificate for the fire truck bearing chassis number FD - 172B 22476 received as a Japanese aid on 11.07.2006.

3.5 Asset Management

3.5.1 Idle and Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Moratuwa Municipal Council has 19 large plots of land in extent of 371.8 perches and those were kept idle without being used.	Lands owned by the Council should be used.	A program to identify and documentation of the lands owned by the Municipal Council has been launched and steps are being taken to protect empty lands owned by the Municipal Council.
(b) Seventeen vehicles had been removed from operation for 2 years to 18 years due to not repairing of the engine and various technical failure. Action had not been taken to dispose of them.	Action should be taken to repair or dispose.	Not only the engine not been repaired, due to various technical faults those were removed from service. It is not useful repair those vehicles and keeping for dispose.
(c) A theatre in the middle of the Moratuwa town remained idle from the year 1995 without being completed even by the end of the year 31 December 2019.	Action should be taken to utilize idle assets	The project could not be commenced due to delays in obtaining the necessary financial allocations to commence work. It is possible to start bidding as soon as the financial provision obtained definitely.
(d) Seven official quarters of the Council remained idle/under utilized without being used since of 2009 to 2017.	Action should be taken to utilize idle quarters	These houses needed major repairs. steps are being taken repair those houses.
(e) Action had not been taken to lease out the second floor of the Central Market building after 31 October 2010 .	The central market building should be leased out and the income should be earned	No comments.
(f) A generator which was in usable condition had been set aside from 28 July 2010 with	The generator should be used or dispose.	No commends.

the idea of obtaining to purchase a new generator. The old one remained idle in the Council premises.

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| (g) | The baling machine valued at Rs.632,500 handed over to the Council by the Department of Local Government on 13 September 2017 remained idle without being used. | The baling machine should be used or given to an institute which it is needed. | Baling was temporarily suspended due to the problem of storage of non-perishable waste brought for baling. After identifying a place with storage space, the baling of non-perishable waste will be commenced again. |
| (h) | Vehicle spare parts consisting 1711 items received from the Lunawa project remained idle/underutilized since 2010. | Action should be taken to utilize or dispose those idle assets. | No comments. |
| (i) | The land in an extend of 0.7063 hectare where Lunawa Rest House is located and complete Ownership has to the Council , valued at Rs.102,000,000 million was taken over by the Housing Development Authority for an apartment project but value of the land not recovered from the Authority. | Action should be taken to recover compensation. | Efforts have been made to obtain the assessment amount to the council. Finally, on 12.12.2019, a request has been made to the Prime Minister of the Democratic Socialist Republic of Sri Lanka, Hon. Mahinda Rajapaksa too in this regard. |

3.5.2 Utilization of Vehicles

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Seven vehicles received as donations by the Council from 11 to 33 years, had not been registered in the name of the Council due to documents were not available.	Action should be taken to register those vehicles.	Although donations have been made to the Moratuwa Municipal Council, the lack of documents required to register in remains as a problem. According to the information available for the registration of the fire truck, chassis number FD-172B 22476 is already in progress.

(b)	Revenue license for 11 vehicles had not been obtained for the year under review.	Annual revenue licenses should be obtained.	Due to various technical faults, we not able to obtain a revenue license for several years. Revenue license for vehicles No. 25, 26 and 27 could not be obtained due to lack registration certificates.
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4. Accountability and Good Governance

4.1 Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
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Only two Audit and Management Committee meetings were held for the year 2019.	Audit and management meetings should be held quarterly	Two Audit and Management Committees were held for the year 2019.