

Kolonnawa Urban 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 06 March 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 07 December 2020 and 23 December 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in this report, the financial statements of the Kolonnawa Urban 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

1.3.1 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Provision for creditors had been made for 03 work with an estimated value of Rs.668,703 scheduled to be executed during 2019, but abandoned for various reasons.	Provision for creditors could be made after obtaining services.	Provision for creditors had been made as agreements had been signed for the above 03 work. Those 03 work could not be executed due to unavoidable reasons. Will be deleted from Creditors Account for adjusting the accounts.
(b) Provision for creditors had not been made for creditors for the sum of Rs.55,497,857 payable to the Muthurajawela Garbage Sector for removing garbage during the current year and the previous year.	Provision should be made for the amount payable.	Responsible officers had been requested for exemption of this fees, following which the Secretary of the Urban Development Authority intimated not to charge garbage fees. The arrears of Rs.82,729,720.17 + VAT had been decreased to Rs.48,259,003.43 + VAT.
(c) A water bowser valued at Rs.115,000 and a Galie bowser valued at Rs.137,400 which were physically not in	Assets which are physically not in existence should be deleted in the	The water bowser purchased in 2000 and the Galie bowser purchased in 2004 had been set a side without usage as they

existence had been included in the Motor Vehicles Account.

accounts.

have corroded. In spite of this, in 2018 chasis and other parts of those vehicles had been used to fulfil the needs of the trailer. As such, these vehicles are not physically in existence and action will be taken to delete in the accounts.

1.3.2 Unreconciled Control Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The balance of the arrears of Rent Account amounted to Rs.4,912,694 whereas it amounted to Rs.2,465,753 in the related schedule showing a difference of Rs.2,246,941.	Action should be taken to reconcile the difference related to the balances in order to rectify the account.	These differences continued till 2018. Will be rectified in future.
(b) The balance of the dormant account No.194100173792765 of the People's Bank, Kolonnawa amounted to Rs.191,320 as per Cash Book whereas it amounted to Rs.88,436 as per bank statement. The reason for variation between these 2 balances had been identified. But, the bank balance had been entered as Rs.52,533 in the financial statements.	The difference should be reconciled and the correct balance should be accounted.	It is unable to rectify this balance as there is no confirmation necessary to correct the Kolonnawa People's Bank old current account balance as per cash book as at 31.12.2019 and the balance appearing in the financial statements.

1.3.2 Non – Compliance

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	Value	Non compliance	Recommendation	Comments of the Accounting Officer
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	Rs.			
(a) Section 133 of the Urban Councils ordinance	2,411,856	Water charges amounting to Rs.2,411,856 at the rate Rs.200,988 per month had been paid to the National Water Supply and Drainage Board on behalf of the public water tap of the authoritative area of the Council for the year 2019.	Action should be taken according to the provisions in the Ordinance.	This expenditure had to be incurred on behalf of welfare of the public residing within the authoritative area of the Council. The Council incurs heavy cost on this tap and the ability to remove this tap has become limited due to political pressure.
(b) Special Provisions Act relating to Local authorities No.48 of 1971	83,366,990	All immovable properties within the authoritative area of the Council should be assessed every 05 years. However, rates had been recovered on the basis of assessment made before 07 years.	Action should be taken according to the provisions in the circular.	Revenue Inspectors are engaged in assessment activities. 5 out of 11 divisions had been assessed.
(c) Financial Regulation 371(5) of the Democratic Socialist Republic of Sri Lanka	2,518,134	Advances granted should be settled before 31 December of the financial year in which it had been granted. However, the balances of unsettled advances as at end of the current year amounted to Rs.2,518,134	Action should be taken to settle the unsettled amount.	A sum of Rs.36,078 had to be recovered from pension gratuity of Mrs.W.Premawathie. Action will be taken for settlement of other advances.

Other Circulars

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| (i) Circular of the Department of Local Government No.LGD/13/2016 of 09 November 2016 | Stall rent had not been assessed every 03 years. | Action should be taken according to the circular instructions. | The agreement of the Public Market, Wellampitiya had been Updated. Other trade centres are subjected to be removed while widening the Ambatale road and as such agreements had not been updated. |
| (ii) Urban Waste Material Management Rule 18(1) of the Western Province No.01 of 2008. | The Council had not taken action to levy garbage tax for door to door collection of garbage from houses and business establishments of the authoritative area of the Council, in addition to the tax paid to local authorities. | Action should be taken to regularize recovery of garbage tax. | The business community is not willing to pay garbage tax separately as money is recovered for rates, trade tax, work tax and other public services. Rs.8,000 per lorry load of garbage is recovered from industries and businesses above the middle level. |

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.82,914,518 as compared with the excess of revenue over recurrent expenditure of the previous year amounting to Rs.36,798,316.

2.2 Financial Control

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Transfer of cash amounting to Rs.15,000 had been brought forward since 1993 with regard to Current	Suitable action should be taken by identifying the unrealized deposits.	The sum of Rs.15,000 brought forward is due to errors caused by officers, Action will be taken to settle this with the approval of

Account No.194100153792766 and the cheque for Rs.10,104 deposited on 17 October 1980 had been shown as an addition to the balance in the bank reconciliation statement. Those balances had not been correctly identified and settled.

the Council, Cheque deposited but not realized amounting to Rs.10,104 had been obtained for a government aided project.

(b) Transfer of funds, depositing a lesser amount, additional debits made by bank etc amounting to Rs.103,716 had been added in the bank reconciliation statement of the Current Account No.194100173792765 as at 31 December 2019. Meanwhile, receipts obtained in excess had been deduced by Rs.831. Evidence to confirm the above adjustments had not been furnished to audit. This account remains dormant for about 10 years. The Assistant Commissioner of Local Government had granted approval to wind up this account by his letter dated 14 November 2019 subject to settlement of the related difference within 06 months.

Action should be taken to identify and rectify differences between balances of bank accounts and the balances of cash book without delay.

The receipt in excess amounting Rs.831.18 had been adjusted in accounts. It is difficult to obtain evidence for the transfer of cash amounting Rs.82,299.83, the sum of Rs.20,915.53 deposited less and Rs.500 debited in excess. Action will be taken to rectify as far as possible.

2.3 Revenue Administration

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

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

Source of Revenue	2019				2018			
	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	75,600,00	84,079,257	80,198,817	162,895,524	75,000,000	80,095,023	76,544,002	30,431,237
(ii) Rent	4,437,960	4,437,960	5,348,988	1,267,974	4,499,670	15,437,540	15,238,566	3,370,102
(iii) Licenses Fees	350,00	350,00	598,000	-	300,000	1,499,515	1,499,515	43,450
(iv) Other Revenue	4,106,030	4,106,030	4,106,030	-	36,740,191	-	16,740,191	-
Total	84,493,990	92,973,247	90,251,835	164,163,498	96,539,861	97,032,078	110,022,274	33,884,789

2.3.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
The arrears of rates as at end of the year under review amounted to Rs.31,837,340. Of these, 71 balances with arrears over Rs.40,000 amounted to Rs.18,981,761. None of the arrears of Rs.7,045,302 included in it had been recovered after 2016.	Action should be taken to recover arrears of rates without delay.	Out of the arrears as at 31.12.2020, Rs.8,422,843 had been recovered. It represents 24 per cent.

2.3.3 Stall Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
None of the stall rent of Rs.189,700 recoverable from 12 stalls for the year under review had been recovered.	Action should be taken to recover arrears of stall rent.	Informed by letters for recovery of arrears of rent.

2.3.4 House Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
The total arrears of rent due from 7 houses at Wellampitiya junction as at end of the current year amounted to Rs.337,150. None of the total rent of Rs.311,650 of 4 houses had been recovered during the current year.	Action should be taken to recover house rent without delay.	Informed by letters for recovery of arrears of rent.

3. Operating Review

3.1 Performance

Matters observed regarding functions to be fulfilled by the Council with regard to regularization and control of public health, utility services and public highways, health facilities and welfare of the public as required by Section 4 of the Urban councils Ordinance appear below.

Functions Abandoned

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Twenty four functions with an estimated value of Rs.11,341,613 required to be executed during the year under review had been abandoned without commencement.	Should act according to the Action Plan.	Abandoning work due to protests made by the public, lack of adequate time due to giving priority to execution of external projects done by politicians and problems relating to ownership of land were the reasons.
(ii) Provision of Rs.1,800,000 for development of worshipping centres and Rs.100,000 for the welfare of elders had been made in the budget of the current year. But, those projects had not been executed.	Action should be taken to execute planned projects.	Action had been taken to develop worshipping places and attend to the welfare of elders along with that provision in 2020.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Nagahamulla market building had been offered for conducting a co-operative had been closed in 2017. Action had not been taken to recover the arrears of rent of Rs.59,900 as at end of the current year.	Action should be taken to recover arrears of rent.	The workers engaged in modernizing the co-operatives had been allowed to stay there. The Chairman of Co-operatives by his letter dated 23.09.2020 had stated that the co-operative had now started functioning.
(b) Out of 253 various complaints of the public, 104 complaints only had been attended to	Action should be taken without delay to update the register of public complaints.	Action had been taken regarding public complaints. Instructed to continuously update the register of public complaints.

3.3 Human Resources Development

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) There were 09 vacancies in the approved cadre as at 31 December 2019.	Action should be taken to fill the essential posts.	No comments.
(b) Approval for the post of Secretary of the Council 111/11 of the Administrative Service had been granted. However, a lady officer of the Supra Grade of the Management service had been appointed for duties. Officers of the Management Assistant Grade 1 were attending to duties of the posts of Accountant and Administrative Officer.	Action should be taken to fill the essential posts.	The responsibility of these appointments lies with the Public Service Commission.
(c) In addition to 08 K.K.S, 15 sanitary labourers and 06 field labourers had been assigned for office work at the Head Office.	The respective employees should be appointed for appropriate duties.	Although there are 11 posts of K.K.s in the approved cadre, the number of K.K.S is not enough for officers at the head office and for activities of the members of the public. Therefore, these sanitary and field labourers had been assigned for duties at the head office.
(d) Employee's Loans The loan balances due from 32 employees who had deceased / vacated posts amounted to Rs.782,502. Of this, Rs.692,811 paid to 30 employees was due for a period ranging from 5 to 20 years.	Action should be taken without delay to recover arrears of loans by taking suitable action.	Action had been taken to inform employees for settlement of arrears of loans. The loan of Rs.107,180 is being recovered in installments from the debtors' heirs. The loans of employees who had vacated posts are being recovered in installments from sureties.

Loans of two debtors had been recovered from pension gratuity and action is being taken to recover the entire loan from the employee who had vacated post.

3.4 Operating Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Five hundred and ninety eight book parcels purchased for Rs.229,683 for distribution among children of low income earning families were lying at the stores even by 18 August 2020 without being distributed.	Action should be taken to fulfill the required objective.	Action will be taken to distribute the balance available before end of October.
(b) Two tippers valued at Rs.5,900,000 had been obtained from Agalawatta and Walallawita Pradeshiya Sabhas by exchanging vehicles in 2018. Those had not been acquired even by 18 August 2020.	Action should be taken to acquire the said vehicles.	The tipper bearing No.LI – 6089 and the tipper bearing No. LL – 0018 exchanged from Agalawatta and Walallawita Pradeshiya Sabha will be legally acquired by the Kolonnawa Urban Council.

3.5 Idle and under utilized Assets

The following matters were observed.

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) A concrete mixer values at Rs.379,500 a generator valued at Rs.511,750 and 04 flash lights purchased during the current year remained idle at the stores even by 18 August 2020 without being used.	The respective machines should be efficiently utilized for operating activities.	Used at instances where maintenance of road is impossible during day time. This is not a loss to the Council as those machines are capital assets which would cost in future. Care will be taken to use it effectively.

(b) Action had not been taken to repair and make use of/to dispose of, 02 tractors valued at Rs.1,516,250 and 02 tractors the value of which had not been identified, remained corroded in the premises of the Urban Council.

Action should be taken for disposal without delay.

Vehicles which cannot be used and which had exceeded a period of 10 years should be disposed of as per Finance Circular No.09.2015. Accordingly, the approval of the Council had been obtained for disposal of vehicles of the Council used for 10 to 30 years. Disposal is being done at present.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation

A main procurement plan had not been prepared by Including procurements expected to be done at least for 03 years as per 4.2.1 (a) of the Government Procurement Guidelines.

Recommendation

Main procurement plan should be prepared without delay.

Comments of the Accounting Officer

A main procurement plan including procurements to be made for 03 years, as required by 4.2.1(a) of the Government Procurement Guidelines had not been prepared. Procurement proposals will be obtained at the time of preparing the annual budget of the Urban Council and the procurement plan will be prepared accordingly.