

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Colombo Municipal Council including the financial statements for the year ended 31 December 2022 comprising the statement of assets and liabilities as at 31 December 2022 and the statements of comprehensive income, statement of changes in equity, cash flow statement for the year then ended and significant accounting policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 219 of the Municipal Councils Ordinance (Chapter 252) and National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the financial statements of the Colombo Municipal Council. Because of the significance of the matters described in the basis for disclaimer of opinion section, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

I expressed disclaimer of opinion on the matters described in paragraph 1.6 of this report.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Municipal Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Municipal Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My responsibility is to conduct the audit of the Municipal Council financial statements in accordance with Sri Lanka Auditing Standards. And to issue an auditor's report. However, because of the matters described in, "Basis for Disclaimer of Opinion" paragraph, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.5 Report on other Regulatory Requirements

Special provisions regarding the following requirements of the National Audit Act No. 19 of 2018.

- a) The financial statements are consistent with those of the preceding year as per the requirement mentioned in section 6(1)(c)(iii) of the National Audit Act No. 19 of 2018 of the Municipal Councils.
- b) The recommendations made by me in the preceding year had been included in the financial statements except for the observation appear in 1.6.1(ii) of Paragraph 1.6 as per the requirement mentioned in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018 .

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Non-Compliance with Generally Accepted Sri Lanka Public Sector Accounting Standards for Local authorities

Non Compliance with the reference to particular Standard	Comments of the Council	Recommendation
(a) According to section 3.20 of the standard, the settlement of the liability within twelve months after the reporting date should be classified as a current liability, but the council had not accounted for the total amount of the Asian Development Bank loan installments of Rs.201,632,572 under the current liability which should settle in the year 2023.	According to the loan agreement, from the loan amount to be paid from the year 2023, the installment related to the nearest next year will be recognized as current liabilities and the rest as non-current liabilities.	Financial statements should be prepared according to the accounting standard.
(b) As mentioned in chapter 6 of the standard, property, plant and equipment should be depreciated, but the property, plant and equipment of Rs.25,918,446,539 included in the financial statement of the council had not been depreciated as 31 December 2022 according to the standard,.	Since the council does not have an updated asset register with proper costing, asset revaluation has been started and an updated fixed asset register is prepared based on the revalued values, those values are included in the final accounts of the year 2023 and from the year 2024 the assets are depreciated and adjustments are made in the financial statements.	Financial statements should be prepared according to the accounting standard.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The central government has invested an amount of Rs.23,209,967,369 as at 31 December 2022 to improve the sewerage system of the Colombo Municipal Council using a loan amount of 231.52 million dollars obtained from the Asian Development Bank. Out of that an amount of Rs.19,971,109,470 has not been accounted for or disclosed. Only Rs.3,238,871,899 had been accounted for, which was Colombo Municipal Council had made agreement to repay.	According to the discussion 25.05.2023, the necessary adjustments will be submitted in the year 2023.	Financial statements should be prepared according to the accounting standard.
(b) Due to the receiving of 13 new fire engines from the State Ministry of Provincial Councils and Local Government to the Colombo Municipal Council, Though 15 fire engines with a total value of Rs.123,105,831 were being used by the Colombo Municipal Council were transferred to other provincial councils, The corresponding value was not adjusted to the motor vehicle account	Disclosed by a note in the final accounts of 2022 that the inability of finding the exact cost of the vehicles transferred and the issue of certain vehicles not being included in the council's assets are not resolved until adjustments were made in the financial statements as at 31.12.2023.	Financial statements should be prepared according to the accounting standard.

1.6.3 Unreconciled Accounts

Audit Observation	Comments of the Council	Recommendation
(a) Rs.5, 892, 897,771 was stated as the motor vehicle value under Note No. 18 as at 31 December of the year under review and according to the motor vehicle schedule submitted to the audit, its value was Rs.4,122,824,893. Accordingly, there was a difference of the value of motor vehicles Rs1, 965,920,343 between financial statements and motor vehicle schedule as at 31 December 2022.	The reasons for this change will be revealed through the asset revaluation committees and adjustments will be made through the financial statements of the coming year.	Differences between financial statements and schedules should be identified and corrected during the preparation of financial statements.

- (b) The total value of the uncertain balances included in the detailed reports used to prepare the rates summary report submitted with the financial statement as on 31st December of the year under review was total of Rs.34,609,149. Without taking actions to settle the balances identified from that value, the total value of rates Rs.4,316,776,152 to be received on 31 December 2022 was not correct.
- The sum of unsuspected balances in the rates summary report is Rs.9, 230,844.32 as at 31 December 2022. In cases where the correct information about the property for which rates tax is paid cannot be identified by banks during direct payment, the rates value is entered in to the suspense account until the correct property number is identified. 58 properties (Rs.1,171,796.75) have been identified and adjusted to the correct single accounts from the receipts in the suspense account till the end of 2022, which have been accounted as rates income, and after identifying the values of the remaining uncertain balances in the coming period, adjustments will be made to the relevant single balance accounts. And that this account should be maintained as there may be problems related to these payments when the property is foreclosed in accordance with the Municipal Ordinance on non-payment of rates.
- Uncertain balances should be promptly identified and accounts should be updated and regarding the arrears of rates tax should be dealt in accordance to the Municipal Ordinance Act.
- (c) According to the system summary report submitted to the audit, the asset value was Rs.7, 344,181,805 and according to the financial statement as at 31 December of the reviewed year, the total value was Rs.25,918,446,539. Accordingly, a difference of Rs.18, 574,264,734 was observed and the classification of assets according to the financial statement was presented in one way and the classification of assets provided using the computer system was presented in another way.
- It is agreed that there are problems in the classification of assets and to the summary report obtained by the computer software system should add assets of Rs.15, 515,316,349. Then a difference, (Rs.3,058,948,385) less than the difference shown by you is observed. Because you have submitted, only the fixed assets systemized by LAIN are contained in the summary report obtained by the computer software system.
- The asset management information system should be updated and the facility of investigating (review only) should be provided for the audit.

1.6.4 Documentary Evidences not made available for Audit

Subject	Amount Rs.	Unsubscribed Audit evidences	Comments of the Council	Recommendation
(a) Assets Liabilities Expenditure Income	35,847,745,839 10,988,421,308 10,534,394,892 13,440,288,669	Although the general ledger was submitted to the audit as a soft copy that all the accounting activities of the Colombo Municipal Council are maintained in a computer system called Municipal Council Accounting System (MCAS), due to not providing the necessary facilities to access the system (Review Only), not being able to verify the accuracy of the information in the system and the system controls. And being unable to verify assets of Rs.35,847,745,839 and liabilities of Rs.10,988,421,308 and expenses of Rs.10,534,394,892 and income of Rs.13,440,288,669.	It will be provided promptly.	The opportunity to access and investigate (Review Only) the computer system without hindrance should be provided for verifications required for the audit.
(b) Stock	679,292,707	According to the financial statement, the stock value as at 31 December 2022 was Rs.679,292,707. A suitable committee of board of survey was not appointed for the stock verification and the stock value could not be verified as the auditor was not informed about a date of survey before the stock verification.	In the year 2023, the auditors will be informed about the board of survey dates and that the other corrections were noted.	Before the next stock verification, the auditor should be informed and made an agreement on a date for the board of survey to be made for the verifications required for the audit.
(c) Statement of cash flow	685,620,542	In calculating the net cash flow from operating activities in the statement of cash flows, Rs.685,620,542	Due to the large number of transactions and the large number of	According to the accounting standards, information

were made as adjustments to the surplus and deficit account and in the statement of changes in equity, as prior year errors, an adjustment of Rs.682,562,364 was made to the accumulated fund. It was not possible to confirm the accuracy of the value calculation and the nature of the transaction due to not being submitted a detailed schedule to the audit.

parties involved, it is difficult to analyze transaction by transaction separately to identify whether there is cash flow or not. It is also not directly identifiable through the currently used computer system (MCAS). It was noted to present a summary report at the departmental level.

should be presented for the preparation and audit of financial statements.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka and Public Finance Circular No. 01/2020 dated 28 August 2020	Regarding 548 cheques valued Rs.28,159,481 which were issued but not presented for payment within the period of 06 months, were not dealt in accordance with financial regulation.	Out of these cheques, the cheques value of Rs.9,155,741 have been settled and the actions are being taken for the remaining cheques to take in to the revenue.	Regarding the Cheques not presented for payment within a period of 06 months should be dealt in accordance with financial regulations.
(a) F.R. 396 (d)			

- (b) No. 03/2018 and 2 II of Public Administration Circular dated 20 February 2018
- Although a retired officer should be appointed only for the essential positions which cannot be fulfilled by the currently existing officers through alternative measures such as job acting, when there were six qualified officers, the Western Province Governor's letter No. GOS/ADM/13/5/24 and dated 03 January 2023, appointed a retired officer on contract basis for the post of Deputy Municipal Assessor Grade II for a period of 03 months and allowances were paid.
- On completion of 60 years of age, the Acting Municipal Assessor was retired and the same officer was appointed as Deputy Municipal Assessor and covered the duties for a period of 3 months with the approval of the Honorable Governor.
- Actions should be taken in accordance with the circular provisions. While sending recommendations to the Governor for re-appointment.
- (c) Special Gazette No. 2155/6 dated 24 December 2019 for orders on accounting matters related to financial administration of municipalities
- (i) According to Order 62 of the Gazette, a survey was to be conducted to identify the properties that are sources of income for the year of corresponding to the Municipal Council Fund and the related reports should be submitted before the 31st of March every year, but the council had not acted accordingly.
- In the year 2023, survey work has been completed in 19 out of 48 divisions and instructions have been given in writing to submit the survey reports of the remaining divisions by 06 June 2023. Due to only 15 out of 39 revenue inspectors of the approved carder were working in the council, so it was not possible to complete the survey work on the scheduled date.
- The survey should be carried out on the scheduled date and the property which is the source of income should be identified and accordingly, further action should be taken to collect the income.
- (ii) According to the order 428 of the gazette, the property and equipment should be revalued, but the council had not acted accordingly. According to the financial statement of the council as at 31 December 2020, it was mentioned that the asset revaluation will be done in the year 2022, but in the financial statement as at 31 December 2022, it was mentioned that the asset
- The council does not have an updated asset register with proper costing, So I would like to inform that asset revaluation has been started and an updated fixed asset register has been prepared based on the revaluation value, on that value included in the final accounts of the year 2023 and to depreciate the assets from the year 2024 and
- In order to include the fair value of the assets in the financial statements, the property should be revalued and accounted for.

revaluation will be done in the year 2024. Accordingly, the fair value of the assets was not included in the financial statement due to the postponement of asset revaluation activities year by year. adjust it in the financial statements. I kindly inform you that this fact is also disclosed under the policies related to property, plant and equipment in the financial statements.

1.7.2 Non -compliance with Tax Regulations

Audit Observation	Comments of the Council	Recommendation
According to the tax reports sent by the Inland Revenue Department for the period, from 1 July 2016 to 31 March 2020, the amount of value added tax payable as at 4 May 2023 was Rs.897,143,592 and the actions were not taken to settle that tax.	This situation has arisen due to the delay in setting up the computer information system as required and the fact that all the relevant information has not been entered into the computer and the necessary arrangements are being made to settle it.	Settlement of tax arrears should be expedited.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2022 amounted to Rs2,905,893,767 as compared with the excess of revenue over recurrent expenditure amounted to Rs.570,693,595 in the preceding year.

2.2 Financial Control

Audit Observation	Comments of the Council	Recommendation
(a) i. Direct credits or incorrect credits of Rs.177,425,672 and direct debits or incorrect debits of Rs.25,509,347 related to 05 current accounts maintained by the council had not been identified and accounted for.	Out of these direct credits as at 31.03.2023 Rs.72,351,250 has been settled and out of the value of direct or incorrect debits Rs.3,898,787 worth of related transactions have also been settled. That the remaining identifiable balances are noted to be identified and settled and the un identifiable balances to be adjusted from the accounts after the approval.	Direct or incorrect debits and credits should be identified and actions should be taken to settle promptly.
ii. No action was taken regarding 46 deposits amounting to Rs.1,014,644 which were deposited in 03 current accounts but not realized.	That this will be investigated and informed to the relevant departments and will be settle in the future.	Arrangements should be made to recover the money relevant to the cheques deposited but not realized.

2.3 Revenue Administration

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

Information presented by the mayor relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2022				2021			
	Estimated Revenue	Revenue Billed	Revenue collected	Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue collected	Arrears as at 31 December
	(Rs.) Million	(Rs.) Million	(Rs.) Million	(Rs.) Million	(Rs.) Million	(Rs.) Million	(Rs.) Million	(Rs.) Million
i. Rates and Taxes	5,090.4	4,306.7	4,113.9	4,368.2	4,960.5	4,093.9	3,806.1	4,235.1
ii. Rent	335.8	271.9	175.6	1,177.8	238.1	297.7	228.5	1,149.9
iii. License fees	85.7	65.7	65.7	-	220.7	39.4	39.4	-
iv. Other revenue	2,367.2	1,336.7	655.3	681.4	4,458.9	2,536.2	2,348.9	368.7
Total	<u>7,879.1</u>	<u>5,981.0</u>	<u>5,010.5</u>	<u>6,227.4</u>	<u>9,878.2</u>	<u>6,967.2</u>	<u>6,422.9</u>	<u>5,753.7</u>

2.3.2 Performance in Revenue Collection

Audit Observation	Comments of the Council	Recommendation
a) The budgeted rates tax revenue for the year under review was Rs.5,160,501,000 and the billed rates revenue for the year was Rs.4,178,035,388. The rates revenue was not correctly estimated and only Rs.3, 679,678,051 was collected from the billed revenue. As the rates taxes collected include the arrears related to previous years, the collection of rates was in a weak condition.	Rs.4,044,860,249 have been charged as rates tax for the year 2022 and in that, advance money of Rs.365,182,199.00 received in the year 2021 is also included. To increase the tax collection, Banning of private properties, conducting mobile programs related to housing complexes, awareness by SMS alerts, collecting rates arrears from government properties are being carried out.	Actions should be taken to recover the arrears of rates promptly.
b) The council had not taken actions to collect the arrears entertainment tax amount of Rs.31, 664,911 due from the 35 theaters for the year 2022 even by 13 February 2023.	An amount of Rs.10,329,605.02 has been charged as at 30.04.2023 out of the arrears of cinema hall tax Rs.31,664,911 at the beginning of the year 2022 and the relevant cinema halls have been informed in writing that the legal actions will be taken to collect the remaining arrears.	Arrangements should be made promptly to recover the arrears entertainment tax.

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| <p>c) Though the property leased by the council to external parties on a long-term basis are re assessed every five years and entered into agreements were made to increase the rent, but the rent was not revised.</p> | <p>The numbers of registered lease properties are 53. The numbers of properties whose rents have been revised are 19. Out of the remaining 34 properties, the Municipal Valuation Department has been informed in writing to revise the rents of 26 properties. The remaining 08 properties are being settled.</p> | <p>Arrangements should be made to increase the rent according to the lease agreements.</p> |
| <p>d) According to the list of registered establishments of the Sri Lanka Tourism Development Authority, there are 378 registered hotels, lodges and restaurants in the Sri Lanka Tourism Development Authority under the jurisdiction of the Colombo Municipal Council, but only 93 of them were identified and no actions had taken to collect license fees from the 18 establishments of them. No actions had taken to check and ascertain regarding the remaining 275 establishments whether they are operational or inactive.</p> | <p>By paying special attention in this regard, actions are taken to carry out a survey by the revenue inspectors and update the list of relevant institutions in the future.</p> | <p>An updated list of establishments should be maintained by conducting an accurate verification and arrangements should be made to collect the relevant license fees.</p> |
| <p>e) According to the no.1713/10 regarding the display of billboards and section 26 of the by-laws dated 5 July 2011, although the display of advertisements cannot be carried out without a valid license and contrary to the terms or conditions mentioned in the license. Without paying the fees identified during the physical inspection, the income that the council could have obtained only from the internal notice boards built in several places in Colombo 07,06,05,02 areas (excluding the shops) was Rs.16,009,380 that income had left without collecting.</p> | <p>Although there has been a setback in the removal of unauthorized advertisements since 2019 due to various reasons. Currently, by conducting verifications using university students, work has been started to remove the unauthorized name boards that have been identified and to issue a notice to remove relevant unauthorized boards by a newspaper advertisement.</p> | <p>According to the by-laws, all billboards that have to pay fees should be charged and the billboards non-paying fees should be removed.</p> |
| <p>f) A large number of unlicensed LED boards had been constructed within the jurisdiction of the Municipal</p> | <p>Data has been collected regarding LED signboards and the owners have informed that the license fee is too high.</p> | <p>Actions should be taken to collect charges under a</p> |

Council and during the sample of physical inspection; the council had lost an income of Rs.2,645,000 only from 03 LED boards installed in such a manner. Informed in writing to make the relevant payments. But, because of non-payment or consideration of extenuating circumstances, the owners of the respective name boards have not provided information, so the removal of the advertisements has been started. legal circumstance.

3. Operational Review

3.1 Fulfillment of functions assigned by the Act

The matters observed on the fulfillment of the functions such as regularization and control of matters relating to public health, public utility services and public roads and the welfare, convenience and welfare of the people which should have been achieved by the Council under Section 4 of the Municipal Councils Ordinance are as follows.

Audit Observation	Comments of the Council	Recommendation
(a) The Happy Garden located at Modara Elihouse, which was closed in the month of March 2020 due to the Covid pandemic situation, was not used for public use even by 15 May 2023 and an uneconomical expense total of Rs.9,179,904 had incurred as wages and overtime for the office staff of the closed garden for the year 2022.	As the equipment is very old (more than 35 years), according to the recommendations of the finance committee, it has been planned to implement the happy garden by engaging the private sector under a new system. As essential maintenance, security service, janitorial and cleaning activities are performed by the employees. That the salary expense is not an uneconomical expense.	It should be made available promptly for public use.
(b) The two fire engines that were donated to the Colombo Municipal Council by the Citynet Secretariat in the year, it was necessary to obtain the approval from the Central Government before sending them to Hambantota Port and whether they are complied with the provisions of the Motor Vehicle Act and the ability of being registered the vehicles in the Department of Motor Traffic. Without getting a technical report on whether the said vehicles can be used in Colombo city or not, the fire trucks were shipped from South Korea on 18	While discussions have been held with Magampura International Port Management regarding concessions for customs fees, That the value of the concessions given has not been determined precisely.	Arrangements should be made for release or repatriation from the port.

September 2017 due to the approval of requisitioning and shipment of fire engines. The necessary actions have not been taken so far for these 2 shipped vehicles to release or send back and Rs.135.55 million was due till 15 July 2022 as port and warehousing charges.

3.2 Identified Losses

Audit Observation	Comments of the Council	Recommendation
(a) Although F.R 104 test had been held regarding the misplacement of 33 tires valued Rs.1,872,454 in the Suduwella main warehouse in the stock verification conducted on 31 December 2021. No actions have been taken to recover the loss and to take disciplinary action against the responsible officials as at 31 December 2022	The investigation in this regard is ongoing and further action will be taken as soon as it is completed.	Investigations should be carried out promptly and the persons responsible should be identified and actions should be taken to recover the losses incurred to the council.
(b) In the stock verification conducted at Borella cemetery on 31 December 2021 it was identified that there were shortage in 209 items, but the related losses were not determined and recovered from the cemetery controller or the responsible officials.	We are currently working to determine the value of the 209 items and after determining that value, we will recover that loss from the cemetery controller or the parties responsible for it.	The responsible persons should be identified and actions should be taken to recover the losses incurred to the council.

3.3 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) 07 receivable balance items amount of Rs.4, 206,199 coming from 20 years ago, No actions had been taken to settle even during the year under review.	Unable to recover due to lack of detailed information and have been continuously under the queries. The future arrangements will be made to adjust from the accounts as unsettled balances.	Balance should be settled by recovering the receivables.
(b) The cash balance in the hands of the officers, which has been in the financial statements continuously for a period of 19 years, was Rs.3,195,339 and no action was taken to settle those balances.	Unable to recover due to lack of detailed information and have been continuously under the queries. The future arrangements will be made to adjust from the accounts as unsettled balances.	For recovering the money in officers' hands, arrangements should be made to adjust from the accounts under a formal system.

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| <p>(c) In the debtor balance of the statement of assets and liabilities, the receivable balances of Rs.466,586,610 stated without collecting related to 4862 inactive accounts.</p> | <p>Actions are being taken to write off the amount of Rs.24,678,932.16 relating to 709 account numbers of 07 public markets that are not physically present in Colombo Municipal Council.</p> <p>Also, necessary arrangements are being done to write off an amount of Rs.50,957,617.39 related to the 414 stalls on the 100 feet road by now. Arrangements are being done to settle the identified balances in the future and the remaining balances will be adjusted from the accounts.</p> | <p>Arrangements should be made to obtain income by tendering inactive business premises and also to formally write off the income accounted for during the inactive period from the accounts and settle the accounts.</p> |
| <p>(d) In the employee loan balance, there was a non-recovering inactive balance value of Rs.9,269,627 related to 752 employees.</p> | <p>Out of these inactive debtor balances, balance of Rs.6,367,370.66 have been identified and recommended to write off those non-recoverable balances. Preparing draft proposal related to that has been finished and By that arrangements are being made promptly to identify and settle those balances and hitherto unidentified balances.</p> | <p>Action should be taken to recover the identified balances without delay and the balances that are not recoverable should be settled formally.</p> |
| <p>(e) While the Deputy Municipal Assessor (Contract) was not a post with an official vehicle, the concerned officer used a council double cab with 220 liters of fuel per month. While holding the positions of the Municipal Council, the expenses for the vehicle were incurred contrary to the provisions contained in sub-section 188(1) of the Municipal Council Ordinance which describes the expenses that can be paid from the Municipal Council Fund.</p> | <p>No comments were given</p> | <p>Actions should be taken promptly to recover the expenses incurred on fuel, vehicle maintenance and driver.</p> |

3.4 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) By the assessment division of the Colombo Municipal Council did not carry out assessment revisions for the years 2021 and 2022 for 20 divisions under the jurisdiction of the council, and in the year 2023, the assessment revision was carried out without a field inspection.	Due to the spread of Covid, the government decided not to revise the rates related to the years 2021 and 2022. Due to this, under the five-year system, the revision work of 20 divisions was stopped for two years. The former Acting Assessor has revised 8 divisions scheduled for 2023 with inspection of assessment and 20 divisions for 2021, 2022 without field inspection according to his discretion. Due to that the appeals received have been considered and reassessment revision proceedings have been started.	Periodically, the rates revision work should be done in the relevant rates divisions.
(b) During the inspection of sample building plan reports, objection investigation reports, valuation reports, etc. of properties belonging to the council jurisdiction, when objections were filed by the residents of the property against the assessed annual value of the property, during the investigation of those objections, baseless reductions and increases in annual values were observed. It was observed that there is a weak internal control related to assessment and due to this there were cases where rates tax money due to the council was lost.	It is expected that the appeals will be considered by an independent committee in the future.	Efforts should be made to strengthen internal control over assessment of property.
(c) The canteen at Crow Island Beach Park was leased to Paradigm Event Management Private Company from 01 September 2016 to 31 August 2026 without any procurement process but the lessee had vacated the premises from 21 April 2019 without formal notice. Although the council had sent a letter to the company on 01 December 2020 informing that the total outstanding amount of	In April 2019, this tenderer had given up running the restaurant and to calculate the arrears and the loss due from them and to take legal action, the letter of demand was issued by registered mail to the party who ran the restaurant, but it was sent back stating that the address was not correct. That a draft proposal was submitted to the council meeting	Arrangements should be made to recover the arrears and losses due promptly.

Rs.4,702,733 to be recovered from the lessee should be paid to the council on or before 15 December 2020 and if it fails to do so, it will file a lawsuit against the company to recover the said amount. Due to the abandonment of further work, the Colombo Municipal Council had incurred a loss of Rs.4,702,735.

seeking approval to take legal action against the institution. Due to not taking action to do the payment of said amount by **Paradium** Event Management Institute.

(d) Council Decision No. 2757 dated 28 March 2016 approved the monthly rent of Rs.200 per day with the related taxes for the 16 stalls that have been completed by the project for the people who have been engaged in trade since the beginning of the Beach Park. But the fees were charged as scheduled only in the year 2016. If the rental money was collected formally, at least Rs.6,624,000 should have been collected from 1 May 2016 to 31 December 2021. But only Rs.1,803,464 was collected as stall rent.

Due the appeal about the inability of paying Rs.200 per day which was decided to charge from the stalls in the crow island beach park, The monthly rent was revised to Rs.2,000 by the council approval of bearing number 2588 dated 28.12.2022 and accordingly the arrears of rent to be charged are being calculated and are being recovered.

Arrangements should be made to recover the arrears of rent promptly.

(e) On the land where the official residence of the Borella cemetery Controller is located at Alvitigala Mawatha, Colombo 08, owned by the Colombo Municipal Council, two storeys of 6000 square feet were built illegally about 11 perches in plot number 48 bearing plots plan number 2 on the land. No formal action has been taken on these unauthorized constructions till 31 December 2022. The cemetery controller was running a private funeral service business in these buildings and No actions had taken to take disciplinary action against the misused officer and recover the assessment amount of Rs.41,420,687 made by the municipal assessor as the loss to the council.

Directors of Supreme Funeral Directors have filed a case in the Court of Appeal under Case No. 540/2021 No. CA (Writ) Application on 02.11.2021. Proceeding on the order of the Court of Appeal.

In relation to unauthorized constructions and unauthorized trades, the responsible officials should be identified and disciplinary action should be taken against the relevant official and for allowing the funeral parlour to be run without permission and the council should recover the loss incurred.

3.5 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
(a) Under the greater Colombo Wastewater Management Project, it was observed that the laboratory equipment purchased at a cost of Rs.12,286,464 (price without VAT) in the year 2015 was idle without using.	No comments were given.	Arrangements should be made to use the relevant equipment for testing.
(b) The tree structure inspection machine, which was purchased by the Land and Environmental Development Division at a cost of Rs.7.4 million in 2015 to measure and check the condition of the trunk and roots of more than 100-year-old trees in the city, Though it was spent 9 years by 31 December 2022, it was kept in Viharamahadevi Park Office without using.	Actions are taking to hire an officer who can analyze the data provided by the machine and to negotiate with the company that bought the machine for data analysis.	The officials should be trained as soon as possible on the use of the machine and a disciplinary investigation should be conducted on the officials who have not been able to use the machine so far.

3.6 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
There is not enough staff for the Madampitiya Environmental Laboratory under the Colombo Municipal Council and although 03 posts were approved as two laboratory assistants in the year 2013, the respective posts were vacant even as at 31 December 2022. In the year 2016, the service of an officer who was recruited as a chemist on contract basis was obtained by extending the days.	According to the approved carder report for 2013 and 2017 for the laboratory, two laboratory assistance posts are approved, but the recruitment procedure for that has been approved on 25.02.2019. 2019/2020 recruitment has not been done so far based on the government policy that recruitment should not be done. That the above post is an island wide recruitment post of SLSS SLI 2006 and currently recruitment is done on contract basis to maintain the services.	Actions should be taken promptly to fill the vacancies.

4. Accountability and Good Governance

4.1 Answering for audit queries

Audit Observation	Comments of the Council	Recommendation
For the year ending 31 December 2022, 28 audit queries were issued, Out of these, 10 queries were not answered. The delay in replying to audit queries was from 10 months to 02 months.	19 of the 28 audit queries issued for the year 2022 have been answered and submitted to you so far. Answers will be also given for the remaining audit queries promptly.	Answers should be given for the audit queries within the period given.

4.2 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
(a) According to the financial statements, the actual income was Rs.13,440,288,660 and the budgeted income was Rs.17,138,383,000. Accordingly, it was observed that there is an income variation of Rs.3,698,094,340 it is 21.57 percent.	No comments were given.	Action should be taken to prepare income estimates on a logical basis based on true sources.
(i) The following documents should be submitted in the budget document to be submitted to the Annual council meeting in accordance with the formats scheduled by the Commissioner of Local authorities dated 27 August 2020 No. LCD/09/2019(1) regarding the maintenance of accounts of provincial councils However, those documents were not prepared along with budget documents of the year 2022. It was further observed that the annual budget should be converted to the new accounting standard using the code numbers and formats prescribed by this circular.	We will inform each department about this through the circular related to the budget document of 2024 and these formats will also be submitted at the time of the presentation of the budget document of 2024.	The budget should be prepared and presented to the council meeting in accordance with the circular instructions.

LG21/11	Financial forecast report
LG21/13	Statement of Comprehensive Income
LG21/14	Statement of Assets and Liabilities

LG21/15 Statement of change in net assets/equity

LG21/16 Statement of Cash Flows

4.3 Environmental Observations

Audit Observation	Comments of the Council	Recommendation
(a) The lack of wastewater management, which is a major determinant not only for tourism but also for foreign investors, is likely to have a strong impact on the country's stability in the future.	Only basic treatment of waste water is done and it is released into the deep sea through a long distance offshore pipeline and diffusers. As there is a need for a wastewater treatment plant at present, steps will be taken to construct a new wastewater treatment plant after finding the funds.	Wastewater must be treated before being disposal into the sea.
(b) It was observed that the Slave Island Waste Water Pumping Station which was constructed under the Greater Colombo Wastewater Management Project valued at Rs.481.62 million and handed over to the Colombo Municipal Council on 30 November 2021 is in an inactive state. It was observed during preliminary inquiry that the damage occurred to the Force Main connected with the pumping station after taking over the pump station had caused to this. Similarly, it was observed that a large environmental damage had also occurred by releasing of waste water collected at the Salve Island Waste Water Pumping Station into the Bere Lake through an open drain.	Although the Ministry of Urban Development, Water Supply and Housing Facilities had agreed to provide the allocation for this Project through the Ministry of Provincial Councils and Local Government, funding has continued to be delayed. It is informed that the actions are being taken to repair the damaged parts of the pipeline system and to put the pumping station into operation.	Necessary actions should be taken to complete the project promptly.
(c) Instead of directly releasing the sewage from the Colombo Municipal Council area into the sea, a contract of Rs.4360 million awarded to a Chinese company to build a wastewater treatment plant at Roxy Garden, Wellawatta. The Colombo Municipal Council reached to a tripartite agreement with the State	The contract has been cancelled. As the basic plans have already been prepared, the construction of the wastewater pumping station can be started after finding financial provision in the future.	The officials responsible for delaying the projects should be identified and the relevant projects should be completed promptly.

ministry of provincial councils and government affairs. Although there was an agreement to finance these works through the Asian Development Bank loan, the contractor was unable to hand over the land by 31 December 2022 due to the non-removal of a warehouse of Ministry of Health located on the proposed land. Due to the expiry of the loan agreement, the contract has been canceled due to the lack of provisions and due to this; the fecal waste in Colombo city and Mount Lavinia and the material waste brought by bowsers are released into the sea without refining.

- (d) i. In accordance with the Special Gazette Notice No. 2264/17 of the Democratic Socialist Republic of Sri Lanka and dated 27 January 2022 2(1) (a) to dispose, deposit or emit waste into the environment in such a way that the said waste does not pollute the environment or cause environmental pollution to occur Should be done only in an unlikely manner. According to the gazette notification, although it is stated in the gazette announcement that 32 parameters and 03 color criteria related to the disposals should be checked when disposing wastewater or waste into a common sewerage network connected to a common treatment system or a marine outlet pipeline or both, the laboratory located at the Madampitiya Pumping Station had released waste into the ocean without adequate and formal testing.
- The necessary equipment and capacity of those and the workers are insufficient to check all the standards mentioned in the relevant gazette. As the chemicals required for heavy metal testing are expensive, heavy metal testing is not done and only 04 main standards are tested.
- According to the provisions of the gazette, inspections should be done in a formal manner and actions should be taken to disposal.
- ii. Since there is a risk of making decisions based on the waste samples taken by two pumping station workers attached to the laboratory, although the necessary facilities should be provided to take samples under the direct supervision of the chemist, no
- Those two workers have been employed to take samples from the Gully Bowser vehicles and at the same time one worker has been employed to carry out the PH test using a digital device.
- Systematic division of work should be done so that the taking of samples can be regularized properly so that there is no conflict between the employees.

scientific formal method was followed in taking samples from the bowers coming to the pumping station. As a result, there was the release of wastewater harmful to the environment as well as giving opportunities to officials and employees to commit irregularities.

- iii. A license issued by the Central Environmental Authority should be obtained. When releasing wastewater into the environment and dispose into the surrounding environment only subject to the specific conditions and terms specified in the said license, but the Colombo Municipal Council has not obtained a license related to the disposal of waste.

The necessary arrangements are being made to obtain the Environmental Protection License (EPL) issued by the Central Environmental Authority. Actions should be taken promptly to get the relevant license.
- iv. In accordance with section 9 of the license issued by the Colombo Municipal Council for the disposal of wastewater from the pumping station, when the waste inspected do not comply to the standards of the Central Environment Authority, the receiving of waste from the relevant institution should be suspended and the waste should be re-taken to ensure that the waste comply with the environmental standards. Although only after issuing a certificate from the Central Environment Authority, the Colombo Municipal Council had not acted accordingly. In June 2021, after it was detected that substandard wastewater was disposed into the pumping station. Although the licenses of 13 institutions were suspended on 28 July 2021, after the suspension of the license of 08 institutions, the wastewater of 842 bowers was continuously released to the pumping station in the next 05 months.

Although the licenses of all bowers owned by companies owning gully bowers exceeding the capacity limit have been suspended on 28.07.2021. In the future, when wastewater samples that do not comply with the capacity limits are found, the relevant licenses will be suspended, cancelled, blacklisted and re-licensing will be done on the recommendations of the Central Environment Authority. Actions have been taken to re-enforce canceled licenses based on agreements. The internal control system should be strengthened to take samples from Gully Bowser and check them correctly for disposal in accordance with standard as well as cancel the licenses related to the samples that are not related to the standard.