

Kalutara Municipal Council (Transactions Report) - 2023

The audit of the Operational affairs of the Kalutara Municipal Council for the year ended 31 December 2023 was carried out 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 the Municipal Councils Ordinance (Chapter 252) and the provisions of the National Audit Act No 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

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

As per section 16(1) of the National Audit Act, No. 19 of 2018, every audited entity shall maintain proper books and records of its income, expenditure, assets and liabilities to enable annual and periodic financial statements. As per Section 16(2) of the said Act, the annual financial statements in respect of every audited entity shall be submitted to the Auditor General by the Accounting Officer together with the annual performance reports of that entity within such period as may be prescribed by the rules. In accordance with Section 38(1)(c) of the said Act, the Accounting Officer shall ensure that annual reports and other financial statements are prepared within the required time frame and, in addition, shall ensure that the annual reports relating to the entity being audited are presented to Parliament

1.3 Establishment of the Kalutara Municipal Council and submission of financial statements

By the Extraordinary Gazette No. 2296/05 dated 06 September 2022, the Minister in charge of Local Government and Provincial Councils dissolved the Kalutara Urban Council with effect from 19 March 2023 and established the Kalutara Municipal Council with effect from 20 March 2023, specifying that date as the date on which the term of office of the members would commence. However, even though the required number of members had not been elected in accordance with Section 09 of the Municipal Councils Ordinance, the Council should be deemed to have been established on that date. However, the Municipal Council had not prepared the financial statements to be submitted as of 31 December 2023 and submitted them to the audit as at the date of this report.

1.4 Non-compliance

1.4.1 Non-compliance with laws, rules, regulations and management decisions

The cases of non-compliance with laws, rules, regulations and management decisions are shown below.

	Reference to laws, rules, regulations and management decisions	Non-compliance	Comment of the Sabha	Recommendation
(a)	Asset Management Circular No. 09/2018 dated 31 December 2018,	The assets of the Municipal Council, other than the buildings, had not been devalued	The vehicles have been appraised and steps are being taken to revalue other assets.	Action should be taken in accordance with rule.
(b)	Public Administration Circular No. 30/2016	Fuel consumption test of 22 vehicles owned by Sabha was	It will be done in the future.	Action should be taken in accordance

dated 29 December 2016. not done as per the provisions of the circular. with circular.

- (c) Public Administration Circular No. 03/2018 dated 20th February 2018 section9,paragraph (iii) Although retiree who had confirmed that his previous service period was satisfactory and that he had not been subject to disciplinary action may be re-employed, a retired officer who was subject to disciplinary action in the year 2017 had been employed on a contract basis from March 2019 to March 2023 and had paid a total of Rs. 3,576,275. The Governor has granted approval although it was stated that there were disciplinary orders when obtaining approval. -do-

2. Financial Review

2.1 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Council are given below

	Audit Observation	Comment of the sabha	Recommendation
(a)	Rates and Taxes The outstanding balance of assessment was the Rs.31,333,371 in the beginning of the year under review and Rs. 15,202,901 or 48 percent had not been collected during the year.	The action is being commenced to recover the arrears.	The action should be taken to recover the arrears of income as soon as possible.
(b)	Rents		
(i)	The arrears of rent in the beginning of the year was Rs. 93,000 and Rs. 68,200 or 73 percent had not been collected during the year.	Legal action will be taken in the future to recover the arrears.	-do-
(ii)	The annual billing of rent was Rs. 247,663 and Rs. 182,813 or 73 percent had not been collected during the year.	Legal action will be taken in the future to recover the arrears.	-do-
(d)	Other income The stamp duty that should have been received from the Chief Secretary of the Provincial Council and other authorities by 31December 2023 was Rs. 58,078,025.	Rs.45,594,010 had been received as at 31 October 2024 and the balance will be collected in the future.	Action should be taken to recover the stamp duty receivable.

3. Operational Review

3.1 Management inefficiency

	Audit Observation	Comment of the sabha	Recommendation
(a)	Although the 04 acres of land belonging to the Kalutara Municipal Council was leased to the Western Province Waste Management Authority from 23 December 2009 to 23 December 2019, no tax had been collected as per the agreement from 2009 to 31 December 2023	That a valuation of the land will be obtained from the Valuation Department and further action will be taken.	The outstanding tax should be collected.
(b)	Although the lease agreement signed on 23 December 2009 had expired in 2019, the Waste Management Authority had carried out business activities without signing a new agreement and the agreement had been entered into with a condition unfavourable to the council that the Kalutara Municipal Council should pay Rs. 4,500 per ton to the Waste Management Authority for the collection of non-biodegradable waste for a period of one year from August 2023 onwards. Accordingly, the Municipal Council had paid a total of Rs. 1,880,130 to the Waste Management Authority in the last 05 months of 2023 for 351 metric tons of non-biodegradable waste without charging any arrears of 14 years.	That an agreement has been entered into to receive the Council's biodegradable waste without charging any fees for a period of one year from 26 January 2024 and to use the land instead, and that an agreement has been entered into with the Pilisaru Project for the re-transportation of non-biodegradable waste for a period of one year from 01 August 2023.	The properties owned by the Council should be leased out properly.
(c)	The shortage of 02 barrels of coke worth Rs. 43,500 indicated in the Auditor General's report for the year 2022, the receipt of raw materials from the warehouse for the development of the internal road of the Philipneri Church without formal approval, the fact that 04 barrels had been issued for tar coating under Issue Order 242 but had not been tarred and that those 04 barrels were not in the custody of the Works Controller, had not been dealt with in accordance with Financial Regulations 104 and 156 in the year under review.	That since tar barrels were used to repair the roads of the Municipal Council on the orders of the Chairman without issue orders, it is not relevant to take action in accordance with Financial Regulations.	A formal investigation should be conducted.

3.2 Operational inefficiencies

	Audit Observation	Comment of the sabha	Recommendation
(a)	The Municipal Council had not taken steps to renew the lease agreements for 64 shops in a timely manner and to retake over 08 shops belonging to the Municipal Council but for which the Council does not have the files and tender them back to the Council	The lease agreements are being renewed.	Lease agreements must be renewed on time and documents confirming ownership of council-owned properties must be maintained.
(b)	Although 138 shops in the super shopping complex had been leased since 2021, lease agreements had not been signed for 17 shops and the shop rent had not been collected based on a decision of the Council since 2021.	The lease agreements have been sealed and taken over by the Council.	Action should be taken to collect the income receivable.
(c)	The Municipal Council had not taken action in accordance with Clause 19 of the lease agreement regarding 106 shops that had been closed by the lessees without conducting business, and in accordance with Clause 21 of the lease agreement regarding non-payment of rent, and the Council had lost a total income of nearly Rs. 21,000,000 due to the failure to bill the annual shop rent due to the Municipal Council for 03 years.	It was held that businesses had not been started due to the structural location of the shopping complex and that shop rent had not been collected based on a decision of the Council.	Action should be taken in accordance with the agreement.

3.3 Asset Management

	Audit Observation	Comment of the sabha	Recommendation
(a)	Although it was stated that the repair of the Solex water bowser, the bowser with the Sachsen pump and the Nissan fire truck owned by the council was not economically viable as per the recommendations of the mechanical engineer dated 02 March 2021, no action had been taken regarding those vehicles by the end of 2023 and those 03 vehicles had not been registered in the name of the council.	Advice had been sought from the Commissioner of Motor Vehicles.	The relevant deficiencies should be corrected and the recommendations of the mechanical engineer should be implemented.
(b)	Two tractors owned by the council, which were recommended for disposal in the assessment report dated 16 October 2022, had not been disposed as at end of 2023 due to the absence of number plates.	Action is being taken.	-do-

- (c) Although the tractor trailer and tractor owned by the council had been identified for disposal since 2021, no action had been taken as at end of 2023. Action is being taken. -do-

3.4 Procurement Management

Audit Observation

The following matters were observed in the procurement dated 10 October 2022 for the rental of a tipper vehicle for the transportation of non-biodegradable waste collected by the Municipal Council to the Kerawalapitiya Thermal Power Plant

Comment of the sabha

Recommendation

- | | | | |
|-----|--|---|---|
| (a) | Although in accordance with paragraph 5.3.20 of the National Procurement Guidelines, the previously stated parameters should not be changed or additional parameters should not be included during the evaluation of the bids, two new parameters were included and evaluated during the evaluation of the bids. Due to the inclusion of new parameters, the Municipal Council had taken steps to award the tender to the tenderer who submitted a higher price of Rs. 37,900 instead of awarding the tender to the supplier who submitted the lowest price of Rs. 24,000. | Due to the inadequacy of the criteria, additional criteria were agreed upon by the tenderers and indications were made accordingly. | The provisions of the National Procurement Guidelines should be followed. |
| (b) | Although it was necessary to evaluate whether the bids were submitted in accordance with all the conditions contained in the bid documents in accordance with Section 7.8.6 of the National Procurement Guidelines, the tender was awarded to the entity that did not meet the condition that "the vehicle used for waste transportation should be registered in its name" at the time of tender evaluation. | Acted in accordance with the conditions presented during the second evaluation. | -do- |
| (c) | Due to the award of the tender in violation of the provisions of the National Procurement Guidelines, an excess payment of Rs. 166,800 was made for 12 journeys during the months of January and February 2023 and action had not been taken even by the end of | The provisions of the Procurement Guidelines have been followed. The referenced regulation should be followed. | Action should be taken in accordance with rule. |

the year 2023 in accordance with Financial Regulation 104 regarding the parties responsible for the financial loss.

4. Accountability and good governance

4.1 Internal Audit

Audit Observation	Comment of the Sabha	Recommendation
Although Section 40 of the National Audit Act No. 19 of 2018 and Section 133(1) of the Act state that internal audit should be implemented as a process that supports the improvement of the operational processes of the institution and its performance, the Council's internal audit had not conducted adequate audits and issued internal audit inquiries on subjects such as land subdivision certifications, assessments and collection of shop rents, vehicle utilization, procurement, etc.	Those areas will be inspected in the future.	An adequate internal audit should be carried out to cover all the activities of the institution.

4.2 Environmental Issues

Audit Observation	Comment of the Sabha	Recommendation
According to Section 129 of the Municipal Council Ordinance, the council had not been operating a garbage truck service for the last three years to dispose of waste in the area.	Approval has been sought to purchase a new garbage truck as the existing garbage truck is in poor condition.	Action should be taken in accordance with rule.