

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Colombo Municipal Council for the year ended 31 December 2024 comprising the statement of assets and liabilities as at 31 December 2024 Statements of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement for the year then ended and notes to the financial statements including material accounting policy information 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 Section 219 of the Municipal Councils Ordinance (Chapter 252) and Sub-section 10 (1) 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.

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 Section 1.6 in this report, 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 express disclaimer of opinion regarding the financial statements 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

The National Audit Act No. 19 of 2018 includes special provisions regarding the following requirements.

- (a) The financial statements of the Municipal Council is 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.
- (b) The recommendations made by me in the preceding year had been included in the financial statements except for the observation appear in 1.6.2(b), (c) and 1.6.4 (b) 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 Sri Lanka Public Sector Accounting Standards for Local Authorities

Non-Compliance with Reference to the Relevant Standard	Comment of the Council	Recommendation
(a) According to paragraph 3.29 of Chapter 3 of the Standard, a cash outflow of Rs. 2,727,756,460 had been stated under the acquisition or construction of fixed assets as cash flow from investing activities. However, according to the information in the accounting system, the expenditure incurred for the acquisition of fixed assets amounted to Rs. 1,342,268,824.	Action has been taken to compute and present the cash flow statement accurately.	The cash flow statement should be prepared in compliance with the Standard.
(b) In terms of paragraph 3.30 of Chapter 3 of the Standard, the following errors were observed in the computation of cash flow under financing activities in the cash flow statement. i According to ledger accounts in the accounting system, the capital expenditure for the year should have been Rs. 202,874,003, but Rs. 200,017,180 had been shown in the cash flow statement, thus understating by Rs. 2,856,823.	Action has been taken to present it correctly when resubmitting the financial statements.	The cash flow statement should be prepared in compliance with the Standard.

ii	A cash outflow of Rs. 201,632,574 had been recorded as loan installment payments to the Asian Development Bank (ADB) under cash flow from financing activities, whereas the actual payment made to settle the ADB loan during the year under review amounted to Rs. 100,816,287.	Future action will be taken to identify accurately the impact on cash flows by maintaining correct information.	The cash flow statement should be prepared in compliance with the Standard.
(c)	According to paragraph 3.32 of Chapter 3 of the Standard, the following errors were observed in computing the net cash flow from operating activities in the cash flow statement.		
i	A sum of Rs. 392,519,862 had been deducted as payables. However, this value included acquisitions of fixed assets on credit, and installments and interest payable on Asian Development Bank loan. Therefore, the deduction of Rs. 392,519,862 was incorrect.	Action has been taken to correct and present it accurately.	The cash flow statement should be prepared in compliance with the Standard.
ii	Although Rs. 184,146,950 had been stated as the financial expenses in the Statement of Comprehensive Income for the year under review, a sum of Rs. 19,272,887 had been shown in the cash flow statement under adjustments to the surplus, and Rs. 184,165,950 had been recorded as cash outflows under cash flow from financing activities.	Not replied.	The cash flow statement should be prepared in compliance with the Standard.
iii	A sum of Rs. 201,632,374 had been shown as financial capital expenditure under adjustments to the surplus for the period in the cash flow statement, whereas the amount paid to the General Treasury for settling interest on Asian Development Bank loans was Rs. 93,511,307.	Steps will be taken to identify interest values accurately and present them through the cash flow statement.	The cash flow statement should be prepared in compliance with the Standard.

iv	Under adjustments to the surplus for the period in the cash flow statement, a sum of Rs. 2,834,619 had been deducted as adjustments to the surplus and deficit account, whereas the surplus and deficit account is not one that records receipts and payments. Therefore, such deduction was incorrect.	Not replied	The cash flow statement should be prepared in compliance with the Standard.
v	Under movements in working capital items in the cash flow statement, a decrease in payables amounting to Rs. 859,783,815 had been shown, whereas according to the Statement of Assets and Liabilities as at 31 December 2024, the decrease in payables amounted to Rs. 381,765,655.	Not replied	The cash flow statement should be prepared in compliance with the Standard.
(d)	According to paragraph 4.14 of Chapter 4 of the Standard, the nature of a prior period error should be disclosed in the financial statements by the entity. However, adjustments relating to prior period errors amounting to Rs. 21,160,932 had been adjusted in the Statement of Changes in Equity but it had not been disclosed in the financial statements.	Detailed information regarding disclosures will be submitted for audit according to the schedules	The cash flow statement should be prepared in compliance with the Standard.

1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
(a) Although audit inquiries and reports had revealed that the Colombo Municipal Council possessed 168 plots of land, the Land Division of the Council had identified and reported that only 132 plots actually belonged to the Council. Out of those 132 plots, 27 plots had been valued at Rs. 20,951,855,000 and steps had been taken to prepare a land register. However, as of 31 December 2024, action had not been taken accordingly in respect of the remaining 105 plots. Therefore, the actual value of the lands owned by the Colombo	Steps have been taken to prepare a land register including the 27 valued plots of land, and the valuation will be incorporated into the land register in accordance with the sequence of receiving new title deeds following land surveys.	After the ownership of all lands being confirmed, valuation and maintenance of the land register should be carried out.

Municipal Council was not reflected in the financial statements.

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| (b) | <p>As of 31 December 2023, while the construction work of three projects implemented under the Asian Development Bank loan for the Improvement of the Wastewater Management System remained incomplete, the project had been closed. According to the financial statements of the project, the total cost of the project amounted to Rs. 24,634,150,460. Although the assets acquired under this project, including four pumping stations and sewerage systems, were being used by the Council, action had not been taken to formally take over those assets to the Council, update the asset register, and account for their cost. Further, no disclosure had been made in the financial statements regarding the total investment of the project.</p> | <p>Necessary action has been taken during the year under review to re-correct and present the accounts through the financial statements.</p> | <p>Steps should be taken to prepare the winding up accounts of the foreign loan project, properly take over the assets and account for their values.</p> |
| (c) | <p>A sum of Rs. 94,734,000, which should have been recognized as expenses in the year under review, had not been accounted for in respect of 13 fire vehicles (fire engines) worth Rs. 2,355,300,000 awarded to the Colombo Municipal Council by the Ministry of Public Administration, Provincial Councils and Local Government in the year 2022 and motor vehicles awarded in previous years, as well as a motor vehicle worth Rs. 4,500,000 received in the year 2023</p> | <p>Steps will be taken to correct and present the accounts from the year 2025 onwards, and since depreciation was not made during the year under review, amortization had also not been varied out, while relevant disclosures have been made in the financial statements.</p> | <p>Provisions for depreciation should be accounted for in accordance with the ratios adopted under the accounting policies.</p> |

1.6.3 Unreconciled control accounts or reports

Audit Observation	Comment of the Council	Recommendation
(a) Although it had been informed to the audit that, subsequent to the issuance of the draft summary report relating to the financial statements, a sum of Rs. 13,442,951,253 had been debited to 07 accounts and credited to 10 accounts through 12 journals, there was an unreconciled balance amounting to the same value existed between the	Not replied.	All adjustments should be accurately account for in the computerized accounting system.

accounting system and the financial statements due to the failure to update the ledger accounts in the computerized accounting system accordingly.

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| (b) | There was a difference of Rs. 64,531,258,430 between the balance appearing in the Fixed Assets Module and those shown in the financial statements. | Action will be taken to update the system immediately. | Errors should be identified and corrected. |
| (c) | Although the balance according to the computerized system of the stores belonging to the Municipal Laboratory and the City Analyst's Laboratory amounted to Rs. 132,144, the balance shown in the financial statements was Rs. 10,243,122, thus resulting in a difference of Rs. 7,110,978. | Action will be taken to correct the discrepancies between the individual balances of the Municipal Stores Division and the balances shown in the financial statements. | Unreconciled control accounts should be corrected. |
| (d) | Since the total income according to the financial statements amounted to Rs. 15,538,428,829 and the total income according to the accounting system was Rs. 44,291,547,271, a difference of Rs. 28,753,118,442 was observed. | Action will be taken to rectify it in the ensuing year. | Unreconciled control accounts should be corrected. |

1.6.4. Lack of Documentary Evidence for Audit

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| (a) Although a verification report relating to the stocks amounting to Rs. 558,212,710 under current assets in the Statement of Assets and Liabilities as at 31 December 2024, relating to the stocks at stores, offices, laboratories, and filling stations, had been submitted, the stock values had not been included therein. Accordingly, it was not possible to verify the stock value during audit. According to the verification reports, it was also revealed during audit that the stock value was inaccurate, as it included obsolete and damaged stocks proposed for disposal since the years 2018 and 2019. | Action will be taken to submit it in the future. | Verification reports including stock values should be prepared, and the obsolete and damaged stocks proposed for disposal since the years 2018 and 2019 should be disposed of and the stock value verified. |

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| (b) | No evidence whatsoever such as asset registers, board of survey reports, and detailed schedules relating to assets reported under 07 categories with a total value of Rs. 24,112,940,597 stated in the Statement of Assets and Liabilities as at 31 December 2024 had been submitted for audit. | It is expected to take expeditious measures in 2025 to correct the errors pointed out in audit observations and individual balances, and accordingly, steps will be taken to rectify the accounts. | Asset registers and schedules should be maintained in an updated manner. |
| (c) | During the year under review, payments totalling Rs. 215,220,335 had been made for land acquisitions. Nevertheless, relevant evidence to confirm the extent and value of the acquired lands had not been furnished for verification. Further, the land register had not been updated with information relating to those lands. | Information has not yet been entered in the land register. | Evidence relating to all purchased lands should be submitted for audit, and the land register should be updated. |
| (d) | Since a schedule relating to machinery, equipment, and other assets purchased during the year under review amounting to Rs. 81,514,303, had not been prepared and submitted along with the financial statements, it was not possible to verify and confirm the accuracy of the values of machinery, equipment, and other assets purchased during the year under review. | The pointed-out balance amounting to Rs. 81,514,303 will be corrected in the ensuing year. | Schedules relating to all assets purchased should be submitted. |

1.7 Non-compliance

1.7.1 Non-compliance with rules, regulations and management decisions

The instances of non-compliance with rules, regulations and management decisions are as follows.

	Reference to Laws, Rules, and Regulations	Non-compliance	Comments of the Council	Recommendation
(a)	Municipal Ordinance (Chapter 252) Section 188(e)	While misusing the authority granted to incur expenses for refreshments for members, officers, and employees of the Council who participated in any meeting or committee of the Council, a sum of Rs. 8,443,215 had been incurred by presenting false bills.	The expenditure on refreshments was incurred under the instructions of the mayor.	Expenses incurred contrary to the law should be recovered from the responsible officials.

(b)	Gazette Extraordinary No. 2155/6 dated 24 December 2019, containing Orders relating to Accounting Activities relevant to the Financial Administration of Municipal Councils	Although a survey should be conducted to identify the properties that serve as sources of income for the Municipal Council Fund for the current year, and the related reports should be submitted before March 31 of every year, the Council had not taken steps accordingly.	Follow-up action in this regard will be taken.	Properties that are the sources of income should be identified in accordance with the Order.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i.	F.R. 135	Although an Accounting Officer should delegate the duties of authorization, approval, certification, and payment of each transaction to officers subordinate to him, the Municipal Commissioner had not formally delegated such duties.	The delegation of such authority has been approved according to Decision No. 1090 dated 15 January 2025.	Duties should be delegated and formalized in accordance with the Financial Regulation.
ii.	F.R. 257	Although all vouchers should be certified before being presented to the paying officer, 14 payment vouchers amounting to Rs. 89,554,448 had not been certified.	The certification was not done due to an omission.	Internal controls should be strengthened to ensure that all payment vouchers are duly certified.
(d)	Public Administration Circulars			
i.	Circular No. 22/99 dated 08 October 1999	An official vehicle had been assigned, along with a monthly fuel allowance of 210 Liters, to the post of Chief Medical Officer, which is not entitled to an official vehicle.	In the future, action will be taken considering the vehicle as a pool vehicle.	Action should be taken in accordance with the instructions of the Circular.
ii.	Section IV of Circular No. 09/2009 dated 16 April 2009	Although the time basis used for calculating allowances such as overtime and holiday payments, which are made after the normal duty hours, should be verified through the fingerprint machine, contrary to those instructions,	Instructions have been given to avoid deviations from the prescribed procedure in the future.	Payments made contrary to the law should be recovered.

a sum of Rs. 123,754 had been paid as overtime to three officers of the Community Health Department.

(e) Treasury Circulars

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| <p>i. Paragraph 3 of National Budget Circular No. 08/2022 dated 25 November 2022</p> | <p>Although all forms of entertainment expenses incurred by utilizing income earned by the Government or State institutions for the conduct of ceremonies should be discontinued, disregarding those instructions, a sum of Rs. 2,191,375 from the Council Fund had been used for conducting such ceremonies.</p> | <p>The expenditure was incurred in accordance with the provisions of Section 188(1)(t) of the Municipal Councils Ordinance.</p> | <p>Action should be taken in accordance with the instructions of the Circular.</p> |
| <p>ii. Circular No. 11/2022 dated 16 September 2022 of the Comptroller General and Financial Circular No. 9/2015 (10(c)) dated 24 August 2015 issued by the Chief Secretary of the Western Province</p> | <p>Although action should be taken through the Commissioner General of Motor Traffic to cancel the registration of vehicles identified for disposal as scrapped vehicles before their disposal, action had not been taken so far to cancel the registration of 105 such vehicles even after the auction.</p> | <p>Action will be taken in accordance with the Circular instructions.</p> | <p>Action should be taken in accordance with the instructions of the Circular.</p> |

(f) Other Circulars

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| <p>i. Circular No. W/LPD/01/ dated 11 July 2012 of the Commissioner of Local Government, Western Province</p> | <p>Committee meetings that should have been held outside regular office hours had been conducted during official working hours, and a total sum of Rs. 1,797,000 had been paid as committee allowances.</p> | <p>Action will be taken to conduct committee meetings after office hours in the future.</p> | <p>Payments made contrary to the law should be recovered.</p> |
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2. Financial Review

2.1 Financial Results

According to the financial statements presented, the Council's revenue exceeding its expenditure amounted to Rs. 2,996,743,075 for the year ended 31 December 2024, as compared with corresponding revenue exceeding the expenditure for the previous year amounting to Rs. 2,940,432,774.

2.2 Financial Control

	Audit Observation	Comments of the Council	Recommendation
(a)	Action had not been taken to identify and rectify direct or erroneous debits amounting to Rs. 9,402,935 relating to 03 current accounts, and direct or erroneous credits amounting to Rs. 4,826,010 relating to 02 current accounts maintained by the Council.	Action will be taken to rectify these through future bank reconciliations.	Action should be taken to identify the direct or erroneous credits and debits and rectify them without delay.
(b)	A difference of Rs. 20,729,138 was observed between the balances of 03 current accounts maintained in the People's Bank as per the cash books and the balances shown in the statement of assets and liabilities as at 31 December 2024.	As the reasons for the difference have been identified, necessary corrections will be made in 2025.	Accurate information should be used in preparing the year-end financial statements.

2.3 Revenue Administration

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

Information submitted by the Municipal Commissioner relating to Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue for the year under review and the preceding year is shown below.

		2024				2023			
Source of Revenue		Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as of December 31	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as of December 31
		Rs.Million	Rs.Million	Rs.Million	Rs.Million	Rs.Million	Rs.Million	Rs.Million	Rs.Million
i.	Rates and Taxes	8,530.7	5,875.3	5,363.7	4,429.5	7,366.5	5,430.3	5,565.7	4,492.1
ii.	Rent	330.5	240.0	269.7	300.8	319.8	309.2	226.6	1,235.1
iii.	Licence fees	5,541.7	23.6	4,891.7	2,701.4	126.3	162.2	98.6	4.5
iv.	Other revenue	<u>713.0</u>	<u>57.3</u>	<u>214.6</u>	<u>10,237.3</u>	<u>2,714.6</u>	<u>2,093.8</u>	<u>1,841.3</u>	<u>4,438.1</u>
	Total	<u>15,115.9</u>	<u>6,196.2</u>	<u>10,739.7</u>	<u>17,669.0</u>	<u>10,527.2</u>	<u>7,995.5</u>	<u>7,732.2</u>	<u>10,179.8</u>

2.3.2 Performance in Revenue Collection

The observations related to the revenue collection performance of the Municipal Council are as follows.

	Audit Observation	Comment of the Council	Recommendation
(a)	i Out of the arrears of rates amounting to Rs. 4,414,636,366 as at 01 January 2024, only Rs. 1,134,906,711 had been recovered during the year under review, indicating a recovery progress of only about 26 percent. Accordingly, the recovery of rates arrears remained at a very weak level, and as the arrears related to the year under review amounted to Rs. 905,831,275, the total arrears continued to increase. The practice of granting permission to pay the rates of the year under review despite the existence of arrears from previous years had also contributed to this increase.	In general, there is a slight increase of about 0.3 per cent in recovery compared to the previous year.	Action should be taken in accordance with the provisions of the Municipal Councils Ordinance.
	ii In accordance with the information submitted, there were 5,945 government properties, and the arrears of rates pertaining to them amounted to Rs. 714,735,781. Information regarding which government institutions are liable for the said arrears was not available in the computerized system, and there were issues in identifying to whom the assessment notices had been handed over. Although payments made were updated in the computerized system and arrears payment accounts were recorded, the institution that made the payment could not be identified through the system.	Information regarding government properties can be obtained through the computer system.	An agreement should be reached with the banks to accept rates payments only on the basis of accurate information.
	iii Although the property owners had paid the rates through the respective banks, the payments were not correctly identified and accounted for, resulting in the arrears balances continuing to appear. Consequently, individuals who had already paid the rates were likely to be subjected to actions taken by the Municipal Treasurer against rate defaulters.	The balance of the suspense account has been decreasing annually.	Necessary actions should be taken to update the Municipal Council's information system in accordance with the details of rates payments made through the banks.

(b)	The amount to be accounted for regarding pedestrian shop rental income, which is a major component of rental income, was Rs. 142,619,981. This amount was 37.13 percent higher than the estimated pedestrian shop rental income of Rs. 104,000,000. Further, the income collected during the year amounted to Rs. 77,722,430. The arrears of pedestrian shop rentals stood at Rs. 665,040,434 at the beginning of the year, had increased to Rs. 729,980,358 by 31 December 2024.	There are not enough revenue officers to visit the pedestrian shops to collect rentals.	All necessary measures should be taken to collect the billed income within the same year.
(c)	The license fee income for the year under review amounted to Rs. 76,334,098, which represented an increase of Rs. 23,065,098 or 43 percent compared to the license fee income of Rs. 53,269,000 for the previous year. However, in terms of Section 247(a)(i) of the Municipal Councils Ordinance, a license should be issued for using any place for a purpose described under this Ordinance or any by-law made thereunder. Nevertheless, licenses had been issued and fees charged without obtaining approval for the relevant by-laws, thereby contravening the law.	Steps will be taken in future to prepare by-laws for all business activities for which by-laws have not yet been prepared and to issue business licenses in a manner not contrary to the law.	Action should be taken in accordance with the provisions of the Municipal Councils Ordinance, and by-laws should be adopted, regulated and licenses should be issued for all types of businesses not controlled by another governing authority.

3. Operating Review

3.1 Performing the functions assigned by the Act

The following matters were observed with respect to the execution of duties charged with the Council through Section 04 of the Municipal Council Ordinance, being the regulation, control and administration of all matters relating to public health, public utility services, and public thoroughfares and generally with the protection and promotion of the comfort, convenience, and welfare of the people.

Audit Observation	Comment of the Council	Recommendation
(a) The Colombo Municipal Council had identified about 20 locations in the city that become flooded even under normal rainfall conditions. Out of these, contracts had been awarded for the development of 13 locations, and 3 of those contracts had been completed during the year under review. However, no action had been	The audit observation is agreed upon.	The implementation of remedial measures for the identified locations should be expedited.

taken so far regarding 07 identified locations.

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| (b) | <p>The Norris Canal Development Project had been initiated under the Urban Development Project around the City of Colombo implemented by the Ministry of Urban Development and Housing with the financial assistance of the World Bank. Accordingly, the construction of a new canal route of 632 meters in length from Arnold Ratnayake Mawatha through T.B. Jayah Mawatha was commenced to ensure the rapid discharge of rainwater from Norris Canal into the Beira Lake. However, completion of the project was hindered due to the existence of the dilapidated housing complex comprising 36 houses belonging to the Colombo Municipal Council. Although an allocation of Rs. 150 million had been made under the Ministry of Urban Development and Housing during the previous year to complete the remaining 105 meters of the canal route, the Colombo Municipal Council could not utilize the said funds due to delays in the evacuation of residents, resulting in the inability to prevent flooding in Maradana Deans Road during heavy rains.</p> | <p>The matter has been referred to the Minister for approval to acquire the relevant land.</p> | <p>Priority should be given to complete the construction work of the project.</p> |
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3.2 Management Inefficiencies

	Audit Observation	Comment of the Council	Recommendation
(a)	Except for rates and taxes, and license fees, the Colombo Municipal Council had not issued invoices to the persons liable to pay charges such as rent, vehicle parking fees, and advertisement board charges. As a result, the liable persons had not been properly informed of the payments due, which had practically led to non-billing of revenue, failure to update the data system, and loss of income that should have been received by the Council.	Steps will be taken to enhance the MCAS system and implement revenue billing in the ensuing year.	Revenue billing should be properly carried out by issuing invoices to the liable persons before the due dates, and necessary action should also be taken to recover arrears of revenue.

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| <p>(b) No regulation relating to funeral parlours and undertakers within the City of Colombo had been submitted for audit. Further, information had not been submitted to confirm that the standard by-law applicable to undertakers and funeral parlours under Part IL III of the passed By-laws published in Gazette Extraordinary No. 541/17 dated 20 January 1989 had been adopted. As a result, the relevant matters had been carried out at the discretion of the officers concerned.</p> | <p>It is stated that Action will be taken within the next two months to adopt the relevant by-laws by looking into the matter.</p> | <p>Action should be taken either to approve a new by-law or to adopt the passed by-law.</p> |
| <p>(c) Two licenses had been issued in 2024 for operating a business related to the preservation/preparation of human remains (embalming) within the jurisdiction of the Colombo Municipal Council. Although the maintenance of a business related to the preservation/preparation of human remains is included under Item No. 150 of the Licensing and Charging of Fees Notification of the Colombo Municipal Council published in Gazette Extraordinary No. 2359 of the Democratic Socialist Republic of Sri Lanka dated 17 November 2023, it was observed that this is contrary to the provisions specified in Section 247 a (2) of the Municipal Councils Ordinance.</p> | <p>Further action will be taken by conducting a formal investigation.</p> | <p>Necessary by-laws should be adopted and licenses should be issued in compliance with the Municipal Councils Ordinance.</p> |
| <p>(d) Although license fees for operating a funeral parlour had been prescribed under Item No. 149 of the Gazette Extraordinary No. 2359 of the Democratic Socialist Republic of Sri Lanka dated 17 November 2023, such imposition was contrary to Section 247 a (2) of the Municipal Councils Ordinance. Further, four institutions had been issued licenses for operating funeral parlours within the Colombo Municipal Council area for the year 2024 without having an applicable by-law in force.</p> | <p>Upon preparing and approving a by-law in accordance with legal provisions, action will be taken in the future to levy license fees and issue business licenses.</p> | <p>Licenses should not be issued without approving the necessary by-laws.</p> |

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| <p>(e) Although the fees for cemeteries had been revised by the General Assembly Resolution No. 3449 dated 27 December 2022 and the decisions of the Municipal Commissioner Nos. 310 dated 03 October 2023 and 593 dated 05 March 2024, those revised fees should have been published in the Government Gazette in accordance with Section 4 of the Cemeteries and Burial Grounds Ordinance No. 57 of 1946. However, the Colombo Municipal Council had recovered cemetery fees without taking actions accordingly.</p> | <p>Due to a change in the method of preservation, revenue has decreased, but the fees have been charged in accordance with the proper procedure.</p> | <p>Action should be taken to recover cemetery fees after publishing the revised fee schedule in the Government Gazette.</p> |
| <p>(f) Contrary to Section 23 of the Cemeteries and Burial Grounds Ordinance No. 57 of 1946, the practice of allocating plots in the cemetery for burials had been completely discontinued since 1980, and plots measuring 2' x 2' had been allocated for monuments instead. However, the maintenance of maps and records relating to such plots, as required under the Ordinance, had been at a poor level. No map relating to the allocation of graves and monuments in the Borella Cemetery had been submitted for audit, and none was available in the cemetery office either. Although the annual board of survey report as at 31 December 2020 revealed that the existing maps had been misplaced, no formal action had been taken by the Council in this regard.</p> | <p>Action will be taken in the future to prepare maps using modern technology and that, due to the unavailability of printed formats for allocation records, they are currently recorded in a CR book. Since the existing maps have deteriorated, mapping activities will be carried out in the future.</p> | <p>All locations should be properly mapped to prevent further misuse.</p> |
| <p>(g) At the Borella Cemetery, the fee for reserving a 2' x 2' plot for constructing a monument was Rs. 500,000, and during the year ended 31 December 2024, fees had been charged for 12 such monuments. However, during the audit, the cemetery keeper was unable to identify such monuments corresponded to the payments. Accordingly, no action had been taken to prevent possible irregularities in the utilization of plots.</p> | <p>The 12 monuments have now been computerized and steps will be taken to map these locations in the future.</p> | <p>Documents should be properly maintained.</p> |

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| (h) | <p>According to Section 21 of the Cemeteries and Burial Grounds Ordinance No. 57 of 1946, the cemetery keeper should maintain a register recording every grant made, including the date of the grant, the parties involved, any payment received for such grant, and sufficient particulars to identify the plot of land referred to in the grant. Such record should be entered in the register within 14 days of the grant being made. However, no such complete register containing all relevant details had been maintained for 03 cemeteries. Further, management had not paid attention to identifying all plots sold in every cemetery, maintaining proper records, and removing all unauthorized constructions in terms of Section 26 of the Cemeteries and Burial Grounds Ordinance No. 57 of 1946.</p> | <p>Due to the unavailability of printed registers, information is being recorded in a CR book.</p> | <p>Action should be taken in compliance with the Cemeteries and Burial Grounds Ordinance No. 57 of 1946.</p> |
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3.3 Transactions of Contentious Nature

Audit Observation	Comment of the Council	Recommendation
(a) Due to the expiration of period of contracts for 30 vehicle parking sites in the Colombo city area, a limited bid was called for the short-term leasing of those sites, and the closing date for submission of bids was 15 June 2023. The following matters were observed in this regard. i Although bids were called from the same contractors already operating other vehicle parking sites, a delay in completing the evaluation process and awarding the contracts had resulted in a loss of revenue amounting to Rs. 18,750,800 to the Municipal Council for the period from 01 July to 30 September 2023.	The existing contract period was extended until the commencement of the new contract. Accordingly, there was no financial loss.	Appropriate action should be taken against the responsible parties for causing the loss to the Municipal Council.

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| ii | According to Council Decision No. 3242 dated 31 August 2022, bids could be called only from contractors who had not defaulted payments, and as stated in Section 13 of the bidding document, institutions having arrears to the Municipal Council were ineligible to be awarded contracts. However, contracts had been awarded to 07 contractors who had an aggregate arrears balance of Rs. 141,344,056 as at December 31, 2023. | The contracts were awarded in accordance with the Municipal Commissioner's decision permitting the settlement of arrears through installment payments. | Actions should be taken in compliance with the conditions stipulated in the bidding documents. |
| iii | According to the Council decision and Section 12 of the bidding document, bids should be called only from contractors who already hold vehicle parking contracts. However, contrary to that requirement, bids had been obtained from seven new institutions, and contracts had been awarded to three of them. | Since the increased number of contractors would be more beneficial to the Council, opportunities were provided. | Open tenders should be called to ensure the maximum benefit to the Council. |
| (b) | Although the Colombo City Smart LED Lamp Project was initiated as a cost-free project for the Municipal Council, the Council had agreed to pay Rs. 1,478 million as maintenance expenses, which was contrary to the original objective. The following observations were made in this regard. | | |
| i | Entering into agreements to install advanced technological equipment together with smart LED lamps in the Colombo city area, which lies within Sri Lanka's main economic zone and houses key national institutions such as the Presidential Secretariat, Temple Trees, the Central Bank, and the Treasury, had become controversial as adequate security clearance had not been obtained regarding the safety of these government and diplomatic establishments. | Proper prior approval has been obtained for the activities carried out so far. | The agreement should be reviewed, and necessary further actions should be taken accordingly. |
| ii | During bid evaluation, a turnover equivalent to Rs. 700 million offered | When four affiliated companies | Necessary arrangements |

	by three affiliated institutions of the private company had been accepted. However, it had not been identified which of those institutions were the parent company or affiliates. It was observed that the Technical Evaluation Committee had not acted impartially, as an investment proposal that was Rs. 6,444 million higher had been rejected due to the inadequacy of the bid bond period.	consolidated, the bidder can demonstrate a total turnover of Rs. 700 million.	should be made to prevent the recurrence of such situations.
iii	According to the cash flow submitted by the selected private company, an investment of Rs. 700 million within the first four years was 70 times higher than its declared existing capital. Furthermore, one of the companies submitted for evaluation had mortgaged its assets to a private bank and obtained a loan of Rs. 15 million, indicating that the group did not have the financial capacity to invest Rs. 2,500 million as a whole. However, the contract had been awarded to the company.	The financial statements confirm that there were sufficient assets to receive Rs. 700 million as shareholder investment within 04 years.	All necessary measures should be taken to ensure that the Municipal Council is not exposed to unfavorable conditions.
iv	The main feature of this project was the installation of high-tech LED bulbs to replace the existing lamps on streetlight posts. Since the contractor was expected to invest Rs. 500 million annually, including the replacement of lamps, the Colombo Municipal Council had failed to take steps to ensure that the full benefit that could have been received by the Colombo Municipal Council was realized by the making the investment by the Council itself.	The Colombo Municipal Council approved the establishment of a public-private partnership, as there were no financial provisions available for the Council to invest Rs. 500 million annually in street lighting.	All necessary measures should be taken to ensure that the Municipal Council is not exposed to unfavorable conditions.
v	Sections 1(a) and (b) of the amended agreement had vested the Council's advertising rights in the contractor, granting the contractor the authority to impose surcharge until the irregular activities already committed by private parties permitted by the Council are	The advertising restrictions apply only to LED and digital advertisements carried out by third parties, and no restrictions are applied to other advertising activities.	Measures should be taken to ensure that the Colombo Municipal Council gains a favorable position.

rectified. This condition was disadvantageous to the Colombo Municipal Council.

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| (c) | No investigation whatsoever was conducted regarding the payment of Rs. 2,342,110 for 17 invoices, which were falsely prepared to indicate that food was purchased from a private institution for the purpose of distributing books. | A confidential report has confirmed the correctness of the 17 invoices and that they were received by the supplying institution. | A preliminary investigation should be conducted regarding this matter. |
| (d) | The programmes, such as the distribution of school books in 2023, aimed exclusively at providing relief to low-income beneficiaries, also included in the general duties of the Public Assistance Department of the Municipal Council, which operates with an approved staff of 215 under the office of the Charity Commissioner. A sum of Rs. 2,956,624 was spent on refreshments for the officers and employees who participated in the program, but no attendance records or records were maintained to confirm the participation of the officers and employees, and incurring such an expense was an expense that could not be allowed under Section 188 (1) of the Municipal Council Ordinance. | Expenditure was made in accordance with the approval of the Municipal Commissioner and the Charity Commissioner under Section 188 of the Ordinance. | Municipal Council funds should be spent in compliance with the Act, and expenditure should be substantiated through evidence |

3.4 Asset Management

	Audit Observation	Comment of the Council	Recommendation
(a)	According to the Board of Survey reports, the inventory of the Urban Secretariat Department indicates 51 printing machines. However, physical inspection revealed 63 printing machines, including a colour printer.	Those items have been included in the inventory at present.	Board of Survey activities should be properly conducted in all sections of the Municipal Council.
(b)	A total of 15 printers and 5 photocopying machines in the Urban Secretariat Department were idle due to minor or major faults, and no service arrangements existed, resulting in their removal from use.	Steps have been taken to conduct a quality inspection of the printers and to carry out service through a contract.	Maintenance and repair work should be carried out without delay.

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| (c) | A total of 14 color toners worth Rs. 552,740 were issued to the Deputy Urban Commissioner's Office and the officer in charge of the subject of entertainment, but it was not verified for which duties these toners were used. | They were used for various color printing requirements in the Urban Secretariat Department. | Expenditure should be controlled, and internal controls over toner usage should be strengthened. |
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3.5 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
(a) Among those recruited for training as multi-task development assistants, 37 workers, appointed by the Chief Secretary of the Western Province on 01 June 2023, to positions in the Western Provincial Public Service field work labor and attached to the Colombo Municipal Council, were assigned to other offices under the Western Provincial Council without being formally appointed to the Colombo Municipal Council. As a result, a total of Rs. 17,898,823 was paid as salaries by the Colombo Municipal Council by 31 December 2024.	Actions were taken in accordance with the instructions of the Governor of the Western Province.	Assignments of Municipal Council employees to other institutions and payment of salaries by the Municipal Council should be rectified.
(b) An individual serving as the Western Provincial Public Service Cemetery Custodian (Special Grade) and attached to the Borella Cemetery of Colombo Municipal Council had been banned from duty by the Municipal Commissioner from 30 April 2021 due to issuing a false receipt and had been informed in writing to resume duty by letter dated 13 January 2023. Accordingly, he had reported for duty on 23 January 2023 and from that date to 31 December 2024, out of 477 working days, he had reported for duty for only 90 days, but no action had been taken regarding his failure to report for duty.	Actions were taken to issue a notice of vacation of service on March 04, 2025.	Formal disciplinary investigation should be conducted promptly.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observation	Comment of the Council	Recommendation
In terms of Section 16(2) of the National Audit Act No. 19 of 2018 and Order No. 8 of Gazette No. 2155/6 dated 24 December 2019, the Council's financial statements for the year ended 31 December 2024 should have been submitted to the Auditor General on or before 28 February of the following fiscal year. However, the financial statements were submitted on 3 June 2025, with a delay of 94 days.	Not replied.	Action should be taken to submit financial statements before the prescribed date.

4.2 Budgetary Control

Audit Observation	Comment of the Council	Recommendation
According to the financial statements, the actual revenue amounted to Rs. 15,538,425,829, while the budgeted revenue was Rs. 28,744,858,000, resulting in a revenue variance of 46 percent. The variance of more than 10 percent between the budgeted and actual revenue arose either due to the preparation of revenue estimates for the Colombo Municipal Council without a logical basis or, if the estimates were reasonable, due to negligence by the officers authorized to collect revenue, which made it impossible to collect the revenue.	The variance was primarily caused by the non-receipt of expected government grants and other assistance.	More realistic revenue estimates should be prepared.

4.3 Internal Audit

Audit Observation

Twenty two internal audit reports were issued for the year 2024, of which no responses had been provided for 7 reports. The recommendations made by the internal auditor for all 22 audit inquiries had not been implemented.

Comment of the Council

Not replied.

Recommendation

Measures should be taken to provide responses to audit inquiries within the prescribed time, and the recommendations of internal audit queries should be implemented to strengthen the internal control system.