

Colombo Municipal Council

Colombo District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 08 June 2020 and the summary report and the Detailed Management Report had been sent to the Council on 14 September 2020 and 13 October 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of this report, the financial statements give a true and fair view of the financial position of the Colombo Municipal Council as at 31 December 2019 of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

1.3.1 Accounting Deficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
	-----	-----	-----
(a)	Debit balances totalling Rs.120,648,635 in 4 Bank Accounts and credit balances (O/D) totalling Rs.2,485,673,842 in 5 Bank Accounts had been set off each other and the net balance of Rs.2,365,025,207 had been shown in the statement of financial position.	Financial Statements need to be prepared in compliance with Accounting Standards.	Since the Bank considers these 09 accounts, belonging to the Council as one fund, the overall balance is a credit balance (O/D), even though individual accounts show debit and credit balance when they take separately. Therefore without settling the money exists in the accounts with credit balances, it cannot be withdrawn from such bank accounts by the Council and as such the overall overdraft value had been shown as a liability on the face of the statement of financial position.
(b)	Except the City Micro Biological Laboratory and the Municipal Workshop, the book value of Rs.328,983,419 in other 16 stores had been shown in the financial statement without being physically verified the closing stock.	Year-end stock needs to be physically verified and the correct value should be adjusted to the accounts.	Even though the value of stock balances are not physically verified, it is informed that the values stated in the accounts are correct, since the stocks in hand are calculated on GRN values, being issued on 'first in first out' method by the computer programme.

(c)	Value of 274 stock items and 4 stock items in the Municipal Workshop and the Micro Biological Laboratory respectively had not been computed and taken to the stock balance.	All stocks needs to be counted and the balance should be brought to accounts and the obsolete stock needs to be written off from accounts with proper approval.	Action will be taken to computerize the stores of Municipal Workshop as well in due course and those errors can be prevented thereafter. Since, the Board of Survey had stated in that 40 items in the City Microbiological Laboratory are obsolete items, the values thereof had not been brought to accounts.
(d)	Since the values of stock balances computed in the City Microbiological Laboratory were incorrect in 4 occasions, the stocks balance had been understated in the accounts by Rs.3,308,907.	Differences of relevant balances need to be corrected.	Action will be taken to inform the Chairman of the relevant Boards of Survey and the Heads of the Microbiological Laboratory to prevent in occurring such errors in future. In addition, this will be computerized and as such oversights would be prevented in due course.
(e)	Income from interest on fixed deposits receivable had been overstated by Rs.247,209 in the accounts.	Since this is a prior year accounting deficiency it should be corrected soon.	Necessary steps will be taken to correct these issues in due course.
(f)	Even though the refundable entertainment tax deposits amounted to Rs.14,456,302, it had been brought to accounts as Rs.14,302,467 and as such that balance had been under accounted by Rs.153,835.	Being identified differences; Accounts need to be rectified soon.	The difference pointed out is a revenue difference receivable prior to the year 2018 and this will be identified and rectified in due course.
(g)	Even though the rent on pavement trade stalls receivable amounted to Rs. 473,149,925, such balance had posted as Rs.473,618,267 in the statement of financial position and as such the balance had been overstated by Rs.468,342 in the accounts.	Being identified differences, Accounts need to be rectified soon.	The receivable balance of Rs.473,618,267 shown in the financial statements s correct and action will be taken to correct the balance having being identified the reason for the difference.
(h)	The fire prevention income for the year under review amounted to Rs.5,457,864 but it had been shown in the financial statements	Being identified differences, Accounts need to be rectified soon.	No comment.

as Rs. 2,104,382 and as such revenue had been under accounted by Rs.3,353,482.

- | | | | |
|-----|--|--|---|
| (i) | Even though, courts fine revenue for the year under review amounted to Rs.124,743,541, it had been posted as Rs.125,370,993 in the financial statements by over stating that revenue by Rs.627,452. | Courts fine income needs to be correctly accounted and related correct schedules should be presented. | In addition to the courts fines received for the year totalling Rs.124,743,541, penalties relating to trade stalls and shops had also been included through the computer system under revenue head 7113015007. This is the difference between the account balance and the court fine revenue. |
| (j) | According to the schedules, the rent income of the Land and Environment Division amounted to Rs.3,742,379 whereas it had been shown as Rs.4,548,785 in the financial statements and as such that income had been over accounted by Rs.806,406. | The correct revenue for revenue heads needs to be accounted and prepared correct schedules. | No comment. |
| (k) | Even though the repayment amount equivalent to 17.5 per cent of the loan of Rs.2,529,154,594 obtained for the year 2019 under the Asian Development Bank Loan Project had been shown as Rs.526,807,886 in the financial statements, according to the final accounts of the project it was Rs.472,602,053. Therefore, the liabilities had been overstated by Rs.54,205,833. | Preparation of financial statements in accordance with the correct data obtain from the financial statements of the project. | The Municipal Council keeps accounts based on the office information sent by the project office of the Asian Development Bank annually and it was stated that the difference is due to time delay and the exchange rate differences. However, action will be taken to rectify the differences in future, having being enquired. |
| (l) | Since the Value Added Tax had not been paid to the Department of Inland Revenue on due dates, it was informed to pay a penalty of Rs.23,572,588 but it was not disclosed in the financial statements. | It needs to be disclosed in the financial statements as a note. | The penalty of Rs.23,572,588 related to the first quarter of the year 2016. An appeal had been made requesting to withdraw the penalty having being given reasons for non handing over the relevant schedules within 30 days as stated in that letter. |

- | | | | |
|-----|---|--|---|
| (m) | According to the lease agreement entered into with the organization by which No.149B. Have Lock Road Sports ground has been taken on lease, the lease rental income for the year 2019 amounts to Rs.2,760,000 but according to the financial statements it was stated as Rs.1,380,000 and as such the rental income had been under accounted by Rs.1,380,000. | Correct rent income needs to be recovered and accounted as per the agreement. | Since a Council proposal had been submitted to take a decision in this regard and the recoverable balances will be computed specifically in due course and accounted in accordance with decision. |
| (n) | Even though the annual lease rental income from No.149 and 149/1 Havelock Road, Sports ground which had been leased out to a Sports Society amounted to Rs.1,500,000, it had been accounted as Rs.900,000 in the statement of financial performance and as such the revenue had been under accounted by Rs.600,000. Similarly, the outstanding amount due as at 31 December 2019 was Rs.2,400,000 but it had been stated in the financial statements as an overpaid amount of Rs.75,000 to the Council. As a result, current assets had been under stated by Rs.2,400,000 and Current Liabilities had been overstated by Rs.75,000. | To account the correct revenue as per the lease agreement and to take action to recover the income promptly. | A letter had been issued, asking for a proposed methodology to compute and pay the outstanding lease rentals payable since 2016. Accordingly action will be taken to recover these dues under a concessionary period that they requested. |

1.3.2 Unreconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
There was a difference of Rs.1,863,255,547 between the value stated in the financial statements and the balances stated in the related schedules in respect of 124 items of accounts.	Correct values need to be accounted after being reconciled as required.	Action will be taken to post it correctly in the votes ledger, 2020.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(i) Action had not been taken to settle 23 receivable balances totalling Rs.11,557,186 brought forward from 19 years.	To recover the maximum amount recoverable and the balances to be established unrecovered need to be written off with the formal approval.	Action is being taken to submit the balances to the Commissioner of Local Government for write off or to correct accounts. This process was delayed due to difficulty in finding detailed information.
(ii) Petty cash and special advance balances issued to officers but not settled and brought forward from several years continuously in the financial statements totaled Rs.2,955,604 Action had not been taken to recover or to settle those balances.	Needs to be settled.	The computerized accounting system had been commenced in the year 2001 and the unsettled petty cash advance balance at that time amounted to Rs.3,863,450. Such balance after being settled identified advances as at 31 December 219 amounted to Rs.2,955,604. Information in respect of the remaining balance could not be found upto now.
(iii) The debtor balances in the statement of financial position had included dormant balances totaling Rs.412,426,061, relating to 3615 accounts.	Action needs to be taken to make the dormant accounts active or to close down.	Dormant accounts 3615 included debtor balances of pavement stalls, business premises and shops. Action is being taken to identify many of these dormant business premises and to collect revenue to the Council by tendering or transferring such premises. Further action had been taken to remove dormant accounts related to premises demolished by the Urban Development Authority but shown in the accounts further. Accordingly, computer data will also be corrected.

(b) Accounts Payable

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(i) Action had not been taken to settle or to take into revenue the	To settle balances which can be settled and to take remaining	Security deposits of shroffs recruited prior to the year 2001

refundable deposits totalling nonrefundable balances to and of the property Restraining
 Rs.99,848,922 brought forward revenue. Officers and the money obtained
 from 19 years. as refundable deposits prior to the
 year 2001 had been accounted
 under the non-refunded balance of
 Rs.99,848,922 which is the
 balance existed at the time of
 the computerized accounting
 system in the year 2001. Action
 will be taken in due course to
 identify the deposits which can be
 settled as much as possible
 brought forward for more than 18
 years.

and of the property Restraining
 Officers and the money obtained
 as refundable deposits prior to the
 year 2001 had been accounted
 under the non-refunded balance of
 Rs.99,848,922 which is the
 balance existed at the time of
 the computerized accounting
 system in the year 2001. Action
 will be taken in due course to
 identify the deposits which can be
 settled as much as possible
 brought forward for more than 18
 years.

1.3.4 Lack of Written Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) Due to non presentation of required information, 4 items of accounts totalling Rs,1,355,430,073 could not be satisfactorily verified/vouched in audit.	Information to be made available to audit.	No comment.

1.4 Non-compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance	Recommendation	Comments of the Accounting Officer
-----	-----	-----	-----	-----
(a) Municipal Council Ordinance section 218.	-	A detailed administrative report had not been presented to the Council by the Mayor during the year under review.	Administrative report needed to be prepared and presented during the financial year itself.	All Departments and the Establishment Division were made aware to provide relevant information for the preparation of the Administrative report of the Colombo Municipal Council for the

financial year 2019 by now. It will be prepared and presented in due course.

- | | | | | |
|------|--|---|--|---|
| (b) | Establishments Code of the Democratic Socialist Republic of Sri Lanka. | | | |
| (i) | Sub section 5.2.1 of Chapter XIX | - | Non recovery of house rents. | To recover house rent and penalties as per the Establishment Code. |
| | | | | All Heads of Departments have been informed by the internal circular No.7/2020 dated 4/6/2020 stating that action should be taken to recover the official quarters rent in terms of subsection 5.2.1 of Chapter XIX of the Establishment Code and the Public Administration Circular No.4/2016. |
| (ii) | Section 6.1 of Chapter XIX | - | Occupy the official quarters, exceeding the specific time period | Being prepared a waiting list, every officer should be given legitimate opportunity |
| | | | | The service requirement of the officers come to work of the Colombo Municipal Council, it is essential that they have to be dwelled upon within the Colombo Municipal Council limits, Therefore, they have to be |

					provided official quarters for the entire period of service in the Colombo Municipality. Steps had been taken to schedule official quarters on service requirement as well.
(iii)	Section 7.2 of Chapter XIX	35,120,502	Non-recovery of penalty rent.	To take action to recover the penalty.	Their service stations and appointing authorities have been informed to compute the penalty period and to recover same.
(iv)	Section 7.1 of Chapter XIX	-	No action was taken o remove from houses.	Expedite legal action.	It had been referred to the Legal Division to remove them from official quarters.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka (F.R.)				
(i)	F.R.396(d)	19,997,657	Action had not been taken in respect of 597 cheques issued but not presented to bank for payments and lapsed for more than 6 months.	Comply with Financial Regulations.	Cheques valued at Rs.19,997,657 and Rs.10,620,676 had been referred to the relevant Divisions to be taken to revenue and cheques valued at Rs.614,47 had already been taken to revenue. The remaining

cheques are being taken to revenue by now.

- (ii) F.R. 1646 - Daily Running Charts and monthly summaries relating to 448 vehicles were not made available to audit. Daily Running Charts and monthly summaries need to be rendered to audit, as per Financial Regulations. No comments.

1.4.2 Non Compliance with Tax Requirements

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
Since the non-remittance of Value Added Tax (VAT) returns since 2016 to the Department of Inland Revenue, the VAT payable as at 31 December 2019 amounted to Rs.136,080,242.	To send tax returns without delay and to remit the Value Added Tax.	No comment.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the income over recurrent expenditure of the Council, for the year ended 31 December 2019 amounted to Rs.771,876,261 as compared with the income of Rs.2,312,992,879 over recurrent expenditure of the Council for the preceding year.

2.2 Financial Control

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) Action had not been taken to identify direct credits totalling Rs.13,660,848 related to 5 current accounts and direct debits or erroneous debits totalling Rs.10,951,686 related to 5 current accounts maintain by the Council and to account them correctly.	To identify and account correctly.	Action is being taken to identify and account such direct credits and direct debits.

- | | | | |
|-----|---|--|---|
| (b) | Action had not been taken in respect of 36 cheques valued at Rs.397,861 which had been deposited in 3 current accounts but unrealized for the period, ranging from 1 to 3 years. | To get the money for unrealized cheques. | Action will be taken to settle them in future. |
| (c) | Since the permanent over draft is continuously increasing and getting temporary over drafts facilities, the Bank overdraft as at 31 December 2019 stood at Rs.2,365,025,206 and the overdraft interest for the year under review had increased by 272 per cent as compared with that of the previous years. | Maintain a sound financial control having being appropriately controlled income and expenditure. | Since unexpected changing of social, economic and political situation, the Council is facing drastic financial difficulties and as such obtaining bank over draft facilities is an inevitable matter. Non – receipt of stamp fees from the Provincial Councils had also caused to this situation even though schedules had been sent. |

2.3 Revenue Administration

2.3.1 Rates and Taxes

(a) Rates

Audit Observation

Recommendation

Comments of the Accounting Officer

- | ----- | ----- | ----- |
|--|---|--|
| (i) The total outstanding balance of rates as at 31 December 2019 amounted to Rs.3,248,509,196, out of which the outstanding balance due from 799 property units being exceeded Rs.500,000 amounted to Rs.1,509,086,818. It represented 47 per cent of the total outstanding amount. | To recover rates from properties exceeding Rs.500,000 further recoverable and take legal action in respect of unrecoverable properties. | Of the outstanding balance of rates as at 31 December 2019, a sum of Rs.328,667,418 had been recovered by 27.08.2020. Of the total billing in the year 2020, 65 per cent or Rs.2,666,676,847 could be able to recover by rate From properties with rates exceeding Rs.500,000, a sum of Rs.37,551,690 had been recovered as at 27 August 2020. It represents 11 per cent of the total outstanding. |
| (ii) Of the outstanding rates more than Rs.500,000, the total outstanding from 166 government properties amounted to Rs.486,021,043. This represents 20 per cent of the outstanding rates over Rs.500,000 and it is 15 per cent of the total outstanding rate income. | To recover outstanding rates related to government properties even in making aware of heads of institutions concerned. | There were 123 government properties with outstanding rates exceeding Rs.500,000 as at 27 August 2020. Out of the arrears due from government properties with more than Rs.500,000 outstanding as at 31 December 2019, a sum of Rs.7,443,086 can be able to recover by now. |

- | | | | |
|-------|--|--|---|
| (iii) | Of the properties which have more than Rs.500,000 out standings, 462 units of properties had existed without being paid any rates whatsoever, during the year 2019 and its total arrears amounted to Rs.872,319,455. | Being settled existing problems expeditiously, recover the outstanding rates. | Amounts in arrear could not be recovered in few properties due to existence of legal process, difficulties in identifying properties etc. Spot inspections are carried out in respect of problematic properties when required, and problems are settled by getting the assistance of the Department of Valuation. |
| (iv) | Number of lease properties remain understanding for more than Rs.10,000,000 was 24 and its total areas amounted to Rs. 424,432,472. | Being settled the existing problems expeditiously, outstanding rates need to be recovered. | Most of the properties with more than Rs.10,000,000 outstanding rates belong to government Ministries, Departments, Corporations and Boards and a sum of Rs.2,017,758 could be able to recover as at 27 August 220. Discussions are going on with the relevant entities to recover the outstanding balances. |
| (v) | In terms of Section 230(4) of the Municipal Councils Ordinance and the gazette notification No.494 of 19 February 1988 issued by the Minister of Local Government and Housing, rate payers have an entitlement to get a 10 per cent or 5 per cent discount if they pay rates within the month of January or the first 3 months respectively. | Priority needs to be given for the recovery of outstanding balances. | Being considered other reasonable requests of the rate payers and the effect caused on the financial position of the Council, opportunity has been given to pay rates by deducting discounts for properties with outstanding balances. |

Nevertheless, discounts have been given to persons and institutions who made the payment only for the current year, despite outstanding balances for the previous year had existed.

At the test check revealed that in paying rates for the year under review for 167 properties which had outstanding balances, a sum of Rs.397,289,940 had been allowed as discounts. Accordingly, since the similar

discounts are given to the regular rate payers and rate payers with outstanding balances, there would be possibility of negative effect on the regular rate payers.

(b) **Entertainment Tax**

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
<p>The entertainment tax collected during the year under review from performances, musical shows and sports matches held within the authority Limit of Colombo Municipal Council amounted to Rs.47,751,423. With the approval of the Chief Minister and the Minister in charge of the subject of Local Government of the Western Province, entertainment tax of Rs.24,988,009 had been exempted and it represented 52 per cent. The total entertainment tax. Further recoverable from cinema halls as at 31 December 2019 amounted to Rs. 29,726,002.</p>	<p>To obtain certificate stating that the exempted tax money have been used for community hospitality purposes, and to recover outstanding entertainment tax.</p>	<p>The Minister in charge of the subject of Local Government has the power to exempt such entertainment taxes subject to certain conditions under the existing laws. Therefore the Council loses such income from such exceptions impose based on the above legal provisions. The receivable cinema hall revenue relating to the year 2019 amounted to Rs.41,121,172 from which a sum of Rs.26,594,604 had been recovered by 01 September 2020. To recover the balance money, they had been referred to the Chief Revenue Inspector for prosecution.</p>

(c) **Trade and Business Tax**

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
<p>Trade taxes were not billed and the money receives during the year has been disclosed in the financial statements on cash basis. A revenue of Rs.32,665,250 had been earned during the year under review. Since the revenue receivable places had not been accurately identified a considerable income had been deprived of.</p>	<p>Being conducted a correct survey, action needs to be taken to earn entire revenue.</p>	<p>Since the Court does not give orders to recover license fees and only fines are recovered adjustments are made as such. In addition, when issuing non-acquisition certificates, business taxes are recovered as much as possible.</p>

(d) **License Fees**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Even though the number of entities identified by the Council by which trade licenses are to be obtained is 2900, the number of entities obtained trade licenses amounted to 1719 only during the year under review.	Being conducted a correct survey, obtain accurate statistics in respect of businesses and to issue trade licenses for all such businesses.	Trade Licenses are issued to businesses identified by the surveys conducted by the Council and the entities not obtain such licenses are prosecuted. The number of licenses issue from year to year and the number of indictments are changed on the results of the survey.

2.3.2 **Rent**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) <u>Pavement Boutique Rent</u>		
(i) The total number of pavement stalls stood at 4668 out of which 1717 stalls had been at an inoperative condition.	To take legal action to recover trade stall rents in arrears.	Since the outstanding balances relating to 1717 in operative stalls out of total stalls could not be recovered, it had to be further maintained in the books of accounts.
(ii) The value of recoverable trade stall rent as at 31 December 2019 amounted to Rs.473,149,925 and it had included a sum of Rs.112,929,813 recoverable from stalls presently become in operative.	To take legal action to recover the outstanding rents.	Action will be taken to make adjustments in due course being considered that such outstandings could not be recovered and to get an income from other inoperative boutiques by way of tendering or transferring.

(b) House Rent

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The following observations are made in respect of 84 houses exist in 18 Housing Complexes belong to the Colombo Municipal Council.		

- (i) A very minimal monthly rent is recovered from these houses, located within the municipality limited with a very high market value. On the correct assessment house rents need to be revised expeditiously. In order to increase the house rent, a Council proposal had been presented by the Municipal Treasurer in the year 2017 and implemented. Due to shortfalls happened in the assessment, the increase could not be effected in respect of about 290 houses out of 840 houses.
- (ii) Of the total House rent recoverable for the year 2019 from housing complexes amounting to Rs.16,149,682, only a sum of Rs.1,641,021 or 10 per cent had been recovered during the year 2019. Rents from considerable number of houses had not been recovered since number of years and legal action had not been taken to recover same. To take legal action. Since the post-generation of the persons for whom those houses have been given live in those houses now and the agreements with them have not been updated, there is no atmosphere to recover relevant rent or to maintain or to acquire these housing complexes. Therefore action has been taken to recover outstandings by sending annual red notices.

3. Operating Review

3.1 Performance

(a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
Under Section 272 of the Municipal Councils Ordinance, bylaws need to be enacted in order to be achieve main functions but bylaws to regularize and to control works and solid waste had not been enacted even by 31 December 2019.	Expedite the enactment of bylaws.	Bylaws relate to regularize and control works and solid waste have been prepared by now and referred it to the Legal Department of the Council. Once the observations of this Department is obtained action will be taken to refer it to the Provincial Governor to get the approval soon.

(b) **Action Plan**

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Even though an action plan had been prepared for the for the year under review, it had not been prepared in compliance with the instructions of the Public Finance Circular No.01/2014 dated 17 February 2014.	----- To prepare a proper action plan.	----- Action plan identified in terms of priorities based on the budget has been prepared for the year 2020 along with the time frame and the anticipated output results. Action will be taken to prepare the annual action plan as mentioned above in future.

(c) **Delays in the fulfillment of functions**

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Out of the 98 projects valued at Rs.447,290,081 planned to be completed during the year 2019, works of 24 projects valued at Rs.67,262,245 has not been commenced during the year under review and the works of 7 projects valued at Rs.22,191,905 had not been completed.	----- To minimize delays.	----- No comment.

(d) **Non-achievement of Anticipated Output Level and Expected Results**

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Even though the provisions of Rs.12,266,996,419 had been utilized by 19 Departments of the Council, non-identification of performance indicators of those tasks and non – rendition of performance reports, it could not be established whether the performance and the expected benefits have been achieved as anticipated.	----- To identify performance indicators and to prepare performance reports.	----- No comment.

(e) **Solid Waste Management**

	Audit Observation	Recommendation	Comments of the Accounting Officer
	-----	-----	-----
(i)	Of the total net annual recurrent revenue of Rs.8,123,909,385 of the Council, a sum of Rs.3,175,390,546 or 39 per cent of the revenue had been spent for Solid Waste Management. Accordingly, since action had not been taken to make the waste collected within the Municipal Council limit, a resource of the Council in terms of Section 13 of the Municipal Councils Ordinance, only a expenditure burden was created to the Council.	Action needs to be taken in terms of Section 13 of the Municipal Councils Ordinance.	When managing waste accumulates in the city of Colombo, the Council identifies such waste as a resource to obtain its appropriate value and accordingly the waste is referred for recycling, promotion of required facilities there to and makes aware of the people as a long basis.
(ii)	Even though a provision of Rs.2 million had been made in the budget for 2019, for solid waste recycling, non-performance of recycling, any expenditure whatsoever had not been incurred therefor.	To prepare short terms and long terms programmes in terms of Section 13 of the Municipal Councils Ordinance.	After the completion of the relevant procurement process, the approval of the Council for the relevant purchases had been granted only at the end of the year 2019.
(iii)	Even though a provision of Rs.136 million had been made from the year 2016 to 2019 for the purchase of a land for Solid Waste Management, action had not been taken to purchase such a land.	Tend to a Formal Waste Management System.	A suitable land for the Solid Waste Management Projects was not available within the Colombo Municipal Council Limit. If a land outside of Colombo is purchased by the Colombo Municipal Council and the project could not be implemented due to arising public protests it would cause a massive loss to the council.
(iv)	Solid Waste Management Services in 6 District Officers had been entrusted to the private sector and an expenditure of Rs.2,206,849,608 had been incurred during the year 2019.	Action needs to be taken in terms of section 130 of the Municipal Councils Ordinance.	Having being introduction modern technology, in addition to the existing work parts in each district, agreements had been entered into under the new contracts for additional works

Suppliers had been selected on calling for annual tenders. The increase of the value of awarding contracts in 3 District Officers amounted to Rs.34, 070,720 and it ranged from 34 per cent to 97 per cent. Similarly, in awarding contracts during the period 2015 to 2019 tenders had been awarded with an increase prices ranging from 12 per cent to 34 per cent in excess of the estimates in 17 occasions.

newly identified in order to provide high quality service to the people and on the service requirement. Based on that, human resources and plant and machinery had been merged with such contracts and as such prices were increased more than the prices of old contracts.

(f) Environmental Issues

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
Without drawing attention on the reduction of garbage, introduction of methodologies for the re-use of a proper and expedite programme for the classification and recycling of garbage etc. garbage of the authority area of the Council is disposed to a land belongs to the Sri Lanka Land Reclamation and Development Corporation at present.	Incline to recycling of polythene and other garbage continuously.	Solid Waste Management activities in the city of Colombo is basically implemented under the '3R' methodology. In that having being paid special attention on methodologies implemented by various institutions of local and foreign countries, the relevant management activities are executed by now.

(g) Sustainable Development Targets

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
The Municipal Council of Colombo is unaware on global indicators for sustainable development goals and targets in the 2030 agenda on sustainable development and as a result, global indicators on sustainable development goals and targets had not been recognized even by 31 December 2019.	Taking action to identify sustainable development goals and targets.	When the action plan for the year 2020 is prepared, global indicators on sustainable development goals and targets are identified and directed accordingly.

3.2 Operating Inefficiencies

3.2.1 Non Acquisition of the Possession of Land Assessment No - 43

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Since the non-payment of rates by the owner of a property situated at assessment No.43, Marks Place, Kurunduwatta, 154.43 purchase in extent, the legal ownership of the property had been acquired by the Council, being registered in the Land Registry, Colombo on 7 October 1974 in terms of Section 263 of the Municipal Councils Ordinance. Nevertheless, action had not been taken to acquire the tenure of the land even by 31 December 2019.	Action needs to be taken to acquire the possession of the land.	No comment.

3.2.2 Non Acquisition of Properties with Outstanding Assessment Tax

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Since the last time registered ownership of title deeds and plans in respect of owners of 193 properties identified from 2003 to 2016 and existed the arrears of payable rates amounting to Rs.214,628,001 is unable to find, action had not been taken to write sales certificates in terms of Section 259 of the Municipal Councils Ordinance even by 31 December 2019.	Action to be taken in terms of Section 259 of the Municipal Councils Ordinance and recovery of arrears of revenue needs to be expedited.	Even though the auctions in the year 2003, 2006, 2007, 2014 and 2016 had been completed as at 31 December 2019, there were 188 properties which had not been acquired to the Council upto now, as problems in finding title deeds exist since a few property owners had requested to give opportunity to get the properties released, having being paid the arrears and the prime objective of the Municipal Council is to recover the outstanding assessment taxes, the approval of the Municipal Commissioner had been obtained to recover the arrears within a month after being aware of the property owners.

3.2.3 Leasing the sports ground at No.149/B, Havelock Road, Colombo

The sports ground at No.149/B, Havelock Road, Colombo 5 had been leased out an organization for a period of 20 years by agreement No.3785 of 17 January 2012. The following matters were observed in this regard.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) According to the agreement, the lease rent, revised once in 5 years by the Municipal Council needs to be paid by the lessee. Without paying the revised rent of Rs.300,000 since 01 January 2017, the organization had made an appeal.	To act in terms of the agreement.	When the lease rent is revised once in 5 years, it had been assessed at Rs.300,000 but according to the appeal made by them it had been reduced to Rs.230,000.
(b) Even though the lease rental had been reduced upto Rs.230,000 by the Municipal Assessor in accordance with the appeal, the rent of Rs.115,000 existed as at the date of signing the agreement is being recovered from 01 January 2017 to 31 December 2019.	To act in terms of the agreement.	The lessee had made a request, asking to reduce the second time assessment of Rs.230,000 as well. Accordingly, a re-assessment had been made and until the receipt of that assessment report, the relevant sport society pays the rent of Rs.115,000 exists at the time of signing the original agreement.
(c) Legal action had not been taken to recover the outstanding rents totalling Rs.4,171,050 as at 31 December 2019.	To make legal action expeditiously.	The file had been referred to the Legal Division in respect of non-payment of arrears and the legal advice had been given to acquire the property to the Municipality by the letter of 17 July 2020. To take a decision on the relevant property, a draft proposal had been prepared to refer it to the Finance Committee.

3.2.4 Leasing out of sports ground at No.149 and 149/1, Havelock Road, Colombo 05

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
This sports ground has been leased out to a sports society, being signed agreements from time to time since 1959 upto now.	Before completing one agreement period, a new agreement needs to be entered into and the areas of rent should	Deficiencies, pointed out in the audit query is correct. Action had been taken to recover the outstanding rent up to 31

However action had not been taken in a manners to start a new agreement, when the existing agreement is completed and as such agreements have been signed in getting delayed. Furthermore arrears of rent totaling Rs. 2,592,000 as at 31 December 2019 had also not been recovered.

December 2019 by now.

3.2.5 Leasing out the Sports granted at No.17 Park Road, Colombo 05.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
<p>This sports ground had been leased out to a sports society since 1959 and the following matters were observed in this connecting.</p> <p>(a) Without getting the period of agreement extended, even after being completed by this society, enjoyed the possession of the property. However without taking any course of action whatsoever, the Council had continuously entered into anti-dated agreements.</p> <p>(b) According to the lease agreement entered into between the Municipal Council and the sports society, it was stated that this property is subject to a new assessment once in 5 years. Nevertheless the sports society had not agreed this condition in several occasions.</p> <p>(c) The sports club has requested in the year 2019 to revise the new revised monthly lease rental of Rs.200,000 since January 2016. According to the financial statements published by the sports club in the year 2017 an additional annual income of Rs.4,790,212 had been earned by</p>	<p>To enter into a new agreement before the end of the period of one agreement.</p> <p>Act in accordance with the agreement.</p> <p>Taking legal action in respect of taking action contrary to the agreement and when entering into agreements, the financial viability of the lessee needs to be checked in depth.</p>	<p>These issues are agreed upon.</p> <p>An appeal had been made against the assessment. The relevant rent had been reduced on the ground that a lot of money has been spent for the development of the society and no any financial assistance whatsoever is received.</p> <p>Even though the copies of financial statements for the years 2015 and 2016 are included in the lease file, a copy of the financial statements of the year 2017 was not available in the file. However, entering into agreements had already been</p>

renting and the kitchen and for telecommunication towers to external parties, contrary to the agreement. However any action whatsoever had not been taken by the Municipal Council in respect of earning income, contradictory to the agreement.

planned in a manner in earning more income under a new method from 5 sports grounds. Under this new method, it is expected to enter into agreements under more beneficial conditions to the Municipality relating to the arriving period after 31 December 2020.

3.2.6 Leasing out of Tennis grand at No. 45, Mark Fernando Mawatha.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
<p>A portion of the land 4 acres 01 rude and 29.8 parches in extent from the land situated at No.45, Markers Fernando Road had been leased out to a sports society by agreement No. 415 of 07 October 1957 for a period of 25 years on a monthly rental basis at Rs. 100 The following matters were observed in this connection.</p> <p>(a) Even though this agreement period was completed on 30 September 1983, this sports society was making use of this land even by 31 December 2019 without a legitimate agreement. Since the termination date of agreement on 30 September 1983,</p> <p>(b) up to 31 May 1985, for a period of 20 months, lease rent had been recovered based on the monthly contracted rate of Rs. 100 in the year 1958.</p> <p>(c) Untill a new assessment is requested by the land officers on 09 July 1997 from the Municipal Assessor, any follow up action in this lease agreement had not been carried out by any responsible officers within a period of 14 years.</p>	<p>Expedite the recovering of outstanding amounts and penalties and to take the possession of the property under the custody of the Council.</p> <p>To recover lease rent, being assessed the economic rent for the period of which the lessee had made use of the land.</p> <p>Periodically supervise such files and regulator follows up to prevent frauds if happen.</p>	<p>Even though it was planned to take the possession of the property on the non-pay rental of arrears as cleared in the filee, it had not been so done.</p> <p>As per the agreement in the year 1958 the monthly rental of Rs. 100 is correct. This is a nominal ground rent given subject to build and develop the buildings.</p> <p>This file has been opened and maintained by the Municipal Engineering Department. Immediately delays in reaching agreements was revealed for several years as above, it is evidenced in the file that action had been taken to get</p>

- assessments for a council proposal.
- (d) A block of land, 55 purchase in extent, adjacent to the above land belongs to the Municipal Council is illegitimately using by the Sport Association since 1958 but any action whatsoever had not been taken in this regard even by 31 December 2019. Expedite legal action against the tenure of the land illegitimately, compute an economic rent for that period and recover same as early as possible. A report from the land officer has been called for in respect of illegitimate use of land, 55 purchase in extent, and it is expected to prepare a council proposed in respect of that plot of land for taking future action.
- (e) Assessment reports have been requested from the Municipal Assessment Department after delays ranging from 05 months to 132 months and such reports had been submitted by the Assessment Department after delays ranging from 24 months to 48 months. To take action against the officers for such delays and to take steps to prevent such delays. Agreed with the observations made.
- (f) Recovery of rents had not been carried out regularly and rents had been recorded with a massive delays. Any rent whatsoever during the period from 01 June 1985 to 31 December 2009 had not been recovered and the outstanding as at that time amounted to Rs.10,850,000. To settle this amount in full, it had taken 32 years. Since a formal rent agreement had been reached, penalties could not be recovered for delays as well. To recover a penalty for the delayed period, recover the receivables soon or to undertake the possession of the land by the Council. It was planned to recover arrears by instalments.
- (g) According to the financial statements of the sports Association for the years 2009 and 2010 a sum of Rs.7,461,991 had been spent during the period from 2000 to 2003 for the construction of buildings and walls, but the evidence to ensure that the approval of the Council had been obtained for those constructions was not made available. Action needs to be taken against the unauthorized constructions in terms of Municipal Council Ordinance. Being examined whether those constructions and plans had been presented for Council approval we agree to provide information to audit.

- | | | | |
|-----|--|---|---|
| (h) | Despite the non-recovery of arrears and non-reaching a formal agreement, the Municipal Council had informed the Commissioner General of Excise that it had no objection to issue liquor licences annually up to the year 2019 for the sports Club, and a building plan had also been approved for a construction works on 23 May 1989. | Since a lot of revenue is earned by sale of liquor, recover the outstanding dues or to take action to cancel the liquor licenses. | Agreed that audit observations are correct. |
| (i) | Even though the monthly rent had been assessed at Rs.750,000 since 01 June 2015, rent at Rs.115,000 was being recovered even by recovered 31 December 2019. | To recover arrear since the validity date of the new assessment. | The Association had taken action to pay at Rs.750,000 each since November 2019. |
| (j) | The arrears of rates relating to this property as at 31 December 2019 amounted to Rs.103,734. | To recover arrears of rates | The association had agreed to pay arrears of rates. |

3.2.7 Renting out of Public Markets

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) The Municipal Council of Colombo belong 18 Public Markets consisting of 3046 trade stalls out of which 384 stalls are inoperative. The receivable lease rents outstanding as at 31 December 2019 amounted to Rs.122,020,685.	To recover the outstanding stall rentals and to lease out all idle stalls.	Even being tendered on 16 August 2019, a balance of 111 stalls is still remained idle. Even though tenders were continuously called for, no one was presented to obtain those trade shops. Action will be taken to tender these stalls as well as and all stalls acquired by the council.
(b) Thirty stall owners whose outstanding rents exceeded Rs.1,000,000 as at 31 December 2019 were observed and the stall rent recoverable therefrom amounted to Rs.87,201,662.	To recover arrears or to take legal action.	Red notices had been sent to the stall owners with outstanding rents in the year 2019. If they do not pay the arrears, legal action will be taken against the contracted stall tenants.
(c) In the process of leasing out of trade stalls carried out on 16	A correct assessment has to be done with transparently by in a	No comments.

August 2019, an abnormal manner enabling to get a difference between the bid price maximum revenue to the and the tendered price in 4 Council. trade stalls located in 4 public markets ranging from Rs.1,051,000 to Rs.5,005,555 was observed. Accordingly when the rent is assessed by the Municipal Council for trade stalls it was observed that the rent has not been computed on a correct assessment made in a manner to get a maximum revenue to the Council.

3.3 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
<p>3.3.1 <u>Unauthorized Constructions</u> Construction works from the ground floor to the first floor of the building commenced on the wall and nearby situated behind the Clifton Girl's School had been completed. Moreover, a single storied building, 10' x 15' in extend had been constructed, having being joined with the boundary wall. The school authorities had informed the Colombo Municipal Council to remove these unauthorised constructions in several occasions. Even though the chief legal officer of the Chief Secretariat had informed the Municipal Commissioner to the take action to remove these illicit construction works by his letter dated 21 August 2019, action had not been taken to remove them even by 31 December 2019.</p>	<p>Removal of unauthorized constructions in terms of Municipal Councils ordinance.</p>	<p>Not comment</p>

3.3.2 Road related unauthorized constructions

A sample check observed that there were 92, 05 and 18 road related unauthorized constructions relating to 2 A District Office, 2B District Office and 5 District Office respectively.

To act in accordance with the Municipal Council ordinance. No comment

3.3.3 Official Quarters

The following matters were observed.

(a) In terms of Section 5.2.1 of Chapter XIX of the Establishments Code, 12.5 per cent from a married officer who is not entitled to obtain a scheduled quarters and 7.5 per cent from a bachelor should be recovered from their salaries as house rents. Nevertheless, 10 per cent from the married officers and 5 per cent from bachelors had been recovered from 74 tenants in 3 Department s respectively.

To recover rent in terms of provisions in the Establishments Code.

All heads of Departments were made away by internal Circular No.7/2020 of 04 June 2020 to recover the house rent in accordance with Section 5 of Chapter XIX of the Establishments Code and the Public Administration Circular No.04/2016 and such functions are regularized now.

(b) Except for official quarters assigned for a specific post, the lease period of all official quarters should be 5 years. But, 47 Officers and employees inhabited in the Common services official quarters continuously occupy in official quarters for periods ranging from 06 years to 28 years.

Every Office should be given legitimate opportunity

The service requirement of the officers come to work of the Colombo Municipal Council, it is essential that they have to be welled upon within the Colombo Municipal Council limits, Therefore, they have to be provided official quarters for the entire period of service in the Colombo Municipality. Steps had been taken to schedule official quarters on service requirement as well.

(c) Since 23 transferred and retired officers and employees enjoyed official quarters even by 31 December 2019, action had not been taken to recover penalty rent in terms of Section 7.2 of Chapter

Action to be taken to recovers such officers need to be removed from official quarters and taking legal action to recover penalties.

To compute and recover the penalty charge, this had been referred to their appointing officers and their service stations.

XIX of the Establishments Code. The penalty charge recoverable from 2 Municipal Commissioners who had gone in transfer amounted to Rs.27,106,751 by June 2020.

(d) Under the Government Houses Act No.7 of 1969, as amended by Act No. 3 of 1971 and Act No.40 of 1974, about 2 years had elapsed after obtaining the removal orders for the removal of residents in 40 houses but action had not been taken to remove them from the houses even as at 31 December 2019. Furthermore, penalties had also not been recovered in respect of continuous occupation of government houses. To implement removal orders and to take legal action No comment

(d) Under the Government Houses Act No.7 of 1969, as amended by Act No.3 of 1971 and Act No.40 of 1974, about 2 years had elapsed after obtaining the removable removal of residents in 40 houses but action had not been taken to remove them from the houses even as at 31 December 2019. Furthermore, penalties had also not been recovered in respect of continuous occupation of government houses. To implement removal orders and to take legal action. No comments.

3.4 Human Resources Management

	Audit Observation	Recommendation	Comments of the Accounting Officer
	-----	-----	-----
(a)	The approved cadre and the actual cadre of the Town Planning Division amounted to 140 and 97 respectively. The post of Director of Town Planning	Essential vacancies need to be filled.	Request have been made to the commissioner of Local Government to take necessary steps to fill the vacancies exist in the Town Planning Division

included therein and the post of information Technology officers follower vacant since 2019

and the Commissioner of Local Government had referred it to the Secretary to the Ministry. Application had been called for to fill the vacancy of the post of Technology officer.

- (b) According to the Service Minute of the Information Tele communication Technology service in the Provincial Public Service approved by the Governor of the Western Province on 24 October 2013, a technology Division had not been set up within the Municipal Council. However, a computer instructor had been recruited from outside with effect from 01 January 2019 at a monthly allowance of Rs.95,000 for the computer system in operation in the Municipal Treasury Department.
- To act in accordance with the Service Minute
- No Comment
- (c) Even though the number of approved laboratory Technologists for the Micro Biology Laboratory as at 31 December 2019 was 28 but employed only 8 Technologists had been employed. Moreover, 5 out of 8 of these officers are due to be retired within the next 2 years.
- To take action to fill essential vacancies.
- Laboratory Technicians are trained and recruited by the Ministry of Health and Vacancies in the Department have been informed to the Ministry of Health. In order to operate daily services, having being even temporary controlled this situation, exterior to the administration of our Department, two retired Laboratory Technicians have been employed with the special approval of the Provincial Council.
- (d) Officers and employees had been recruited on purchase of Labour basis continuously since the year 2005 and a sum of Rs.101,789,909 had been paid as
- To act in accordance with Provisions in the Establishments Code.
- No comment

wages to those officers and employees as at 31 December 2019. In contrary to the schemes of recruitments stated in Chapter II and IV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, Officers and employees had been recruited.

- (e) The staff loan balances had included a value of dormant balances of Rs.15,042,808 related to 1,191 employees
- Expedite the recovery of non-recoverable balances and the unrecoverable balances need to be written off from books with proper approval
- Since the non-rendition of details, sufficiently by the Departments for the request made for the write off of loan balances were somewhat delayed by now, information of the Department is being received and as such action will be taken to write off such balances as well in future.

3.5 Assets Management

3.5.1 Idle and Under-utilised assets

Audit Observation				Recommendation	Comments of the Accounting Officer
-----				-----	-----
	<u>Type of asset</u>	<u>Value</u>	<u>Period of delay</u>		
(a)	Cancer Chemicals	1,335,000	2 years	To purchase only essential materials subsequent to a feasibility study.	No Comments
(b)	Machine for testing the structure of trees	7,400,000	5 ½ years	To take disciplinary action against the responsible officers and to utilise the machines expeditiously.	To operate this equipment and to structure such data and to take decisions therefrom a knowledgeable officer in technology such a Horticulturist and Arborists is required. However this vacancy included in the approved cadre is still not filled. Several request had been made to the relevant divisions to fill this vacancy.

(c)	64 Houses put up in the Laundry premises at Paradise place Colombo-12	200,863,837	More than 4 years	Give them to dwellers and low income people and the people with no houses	House holders have been selected for 42 houses and approval of the council had been obtained therefor. Selection and obtaining approval of the Council for the other 22 houses are being carried out by the Housing and City Development Committee.
(d)	Buggy stalls	5,865,000	Less than 4 years	To use for a use full purchase	No comments
(e)	Child Defective Sports equipment purchased on 18 April 2018 and installed in the Sathutu Uyana Premises	27,237,359	Less than 2 years	To get the money back from the Company from which it was purchased or to replace with new equipment	No comment
(f)	Festival hall at Madampitiya Estate in Colombo-14	42,880,634	12 years	To conduct a formal inquiry in respect of the demolition without being used.	No Comment
(g)	Madampitiya Laboratory	5,885,789	3 years	To utilise promptly	No Comment
(h)	Financial Accounting System in the Water Supply Division	3,159,879	2 years	- do -	No comments

3.5.2 Non-establishment of the protection of Assets

	Audit Observation	Recommendation	Comments of the Accounting Officer
	-----	-----	-----
(a)	The Council was unaware about the intruders of 16 properties with high market value at present and	To take legal action against un authorized tenure	No comment.

a proper course of action in that regard had not been taken.

- | | | |
|---|---|--|
| (b) Fifty purchase had been leased out in July 1992 to an entity from Modara Elie House Land and the balance 60 purchase had also been encroached and used for its activities. Even though it was revealed that unauthorized constructions had been done therein, no any action whatsoever had been taken in that regard. | To reach agreement promptly and to take legal action to recover rent for the period used illicitly. | Agreed with this issue. According to the Council General Meeting on 30 December 2019, approval was granted to give only 20 purchase out of 60 perches, unlawfully used to the relevant entity. Even though a request had been made on 24 June 2020 to issue a new assessment, the assessed value had not been received upto now and expedite for reaching agreement. |
|---|---|--|

3.5.3 Stock Shortages

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) According to the Board of survey reports as at 31 December 2019 there was a stock shortage of 17 items valued at Rs.113,719 in the store at Municipal Chemical Laboratory.	Recover the losses having being held on inquiry.	No Comment
(b) According to the Board of Survey reports as at 31 December 2019 there was a stock shortage of 44 items valued at Rs.10,366,027 in the City Micro Biological Laboratory. Similarly 38 items valued at Rs.7,207,962 existed in that store were expired.	To conduct an inquiry on obsolesce and shortages	No comment

3.6 Irregular Transactions

3.6.1 Urban Development Authority Account

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) Even though the money deposits in this account could not be spent without the prior approval of the Urban Development Authority, a sum of Rs.1,631,200,786 had been withdrawn from this	To act in terms of Circular	Agreed with the observation. Even though a sum of Rs.1,631,200,786 had been withdrawn from time to time before financial difficulties of the Council, a sum of

account during the period from 2010 to 2019 without prior approval.

Rs.1,026,200,000 had been re-deposited. Since, the collection of funds without being utilized is not a good financial management characteristic, the balance money amounting to Rs.591,016,886 had been invested in fixed deposits.

(b) In terms of paragraph XVI of the Circular No.WP/LPD/01/2012 of 11 July 2012 issued by the Department of Local Government the Planning Committee allowances need to be settled only from processing charges but a sum of Rs.13,983,900 had been paid as planning Committee allowances from this account.

To act in accordance with the circular

No Comment

(c) According to the planning Circular No. 10 of 13 March 1989, of the Urban Development Authority, of the money recovers from developers on unauthorized constructions surplus land area ratio and non-availability of specific space for vehicle parking, 25 permit should be credited to the Urban Development Authority monthly and the balance 75 per cent should be deposited in the special bank account, but it had not been so done.

- do -

No comment

3.7 Identified Losses

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) Even though a former charity Commissioner occupied an official quarters belongings to the Public Assistance Department had been expelled from the house on Court order on 27 January 2016, action had not	To expedite the recovery of outstanding	Information requires for taking legal action to recover the outstanding amount from the former charity Commissioner had been referred to the legal officer.

been taken to recover the house rent amounting to Rs.292,790 due further from him.

- | | | |
|--|-------------------------------------|--|
| (b) A motor vehicle belongs to the Council Secretariat Department had met with an accident on 04 September 2017. According to the reports submitted by the Committee appointed for the purpose it was recommended that the loss of Rs.262,924 sustained by the Council should be recovered equally from the officer to whom the vehicle was assigned and from the driver in charge of the vehicle, but it had not been recovered . | Expedite the recovery of loss | It was decided to recover the loss sustained by the Colombo Municipal Council due to accident from former Municipal Secretary and the Driver having being conducted an inquiry in terms of F.R.104. |
| (c) Since the ex-chief Medical Officer of Health had not handed over the official quarters even after he retired The Council had passed a resolution at the general meeting held on 30 November 2019 to recover the penalty rent of Rs.8,019,751 receivable to the Council from that officer in terms of Section 7.2 of Chapter XIX of the Establishments code but action had not been taken to recover same. | - Do - | According to the letter of the Director General of pensions, the former Chief Medical Officer of Health was made aware about the penalty rent of Rs.8,019,751 due to the Council but he had not given his consent thereon up to now. |
| (d) In paying holiday pay to 10 officers in the Municipal workshop, a sum of Rs.255,669 had been paid for 68 days in which the same time for in and out was recorded as per the finger printouts. | - Do - | Agreed the matters mentioned in audit. |
| (e) In the examination of a sample of overtime payment relating to 15 officers in the month of December 2018, it was observed that even though the number of overtime hours as per the finger print | To act in accordance with circulars | When calculating overtime hours of employees, it is done on the recommendations of the Technology officers and Engineers in charge of Divisions. It is practically |

machine were 74, the time used for the payment of overtime was 2900 hours Accordingly, an over time payment of Rs.309,164 had been paid for the total number of 2900 hours including the additional overtime hours of 2826, not recorded in the finger print machine.

impossible to calculate overtime hours by using finger print machines.

3.8 Procurement

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
3.8.1 <u>Procurement Plan</u> A procurement plan had not been prepared in a manner, covering all the Departments of the Council.	To prepare a formal procurement plan.	The procurement plan, covering all the Departments of the Council has been prepared for the year 2020 and action has been taken to prepare the procurement plan for the year 2021 as well.

3.9 Uneconomic Transaction

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
A sum of Rs.5,973,501 had been spent for the repair of the roof of Children Resource Centre in the year 2012. A type of tile denoted as “types” manufactured by an entity had been used on this roof but the roof had been set without following basic specifications to be used in spreading such type of tiles on a roof and as such water was leaking between the tile layers since the date of making the roof.	To recover the loss sustained by the Council after being conducted an inquiry	Since the effect on the weather condition prevailed in Colombo areas during the post period and more that 8 years had lapsed after being completed the work, we agree that resetting the tiles being spread had to be done.

4. Accountability and Good Governance

	Audit Observation	Recommendation	Comments of the Accounting Officer
	-----	-----	-----
4.1	<u>Unreplied Audit Queries</u> The number of unreplied audit queries issued in the year 2019 amounts to 11 and its computable value was Rs.2,548,691,248.	Take action to reply audit queries promptly.	Replies for of audit queries are being drafted and will be replied soon.
4.2	<u>Orders of the provincial Public Accounts Committee – meetings</u> Eight order given the Provincial Public Accounts Committee meetings held for investigations had not been implemented even by 31 December 2019.	Implement the orders promptly	No comment