

Dehiwala Mount Lavania Municipal Council

Colombo District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 04 March 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Council on 13 August 2020 and 25 August 2020

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown under the basis for qualified opinion of this report, the financial statements of the Dehiwala Mount Lavania Municipal Council give a true and fair view of the financial position as at 31 December 2019 and its financial performance for the year ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(i)	Stamp duty revenue for the year under review was Rs. 52,413,198 but according to the financial statements it was Rs. 227,776,384 and it had been overstated by Rs. 175,363,186.	Should be accounted correctly.	Stamp duty account will be corrected in 2020 Final Accounts.
(ii)	The trade license fee billed for the year under review was Rs.9,461,500 but the actual revenue was Rs. 6,096,933. However, outstanding license revenue had not been shown in the financial statements.	Should be accounted correctly.	In cases where there are several floors in the same building, the building is assessed separately, and it is in the business tax register. But when there is a one lessee one register in maintained.
(iii)	Transmission tower revenue was accounted for under rate tax revenue.	Transmission tower revenue should be identified separately.	Transmission tower revenue will be account separately in preparing the 2020 accounts.

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| (iv) | Although according to the financial statements, a sum of Rs.1,320,538 had been shown as creditors of the Local Loan and Development Fund (LLDF) it had already been settled. Therefore, the current liabilities had been shown that more by the same value. | Should be accounted correctly. | credit balance of the Local Loan and Development Fund which has been omitted from the accounts and it will be corrected in the preparation of the 2020 Accounts. |
| (v) | Retention money amounting to Rs.2,147,098 for the years 2014 to 2016 had been accounted for under creditors. | Retention money payable to contractors should be accounted for under general deposits. | No comments. |
| (vi) | Although a capital expenditure of Rs.3,000,000 had been incurred for the construction of a funeral parlor, the relevant project had not been completed during the year under review and that provision had been transferred to construct a cemetery adjoining to the Attidiya Cemetery with the approval of the Council. | Necessary corrections should be made in the financial statements. | No comments. |
| (vii) | Changes were happened when copying stamp duty and creditors' balances as at 31 December 2018 as opening balances on 01 January 2019 to the ledger. | The balance of the previous year should be recorded correctly for the current year. | Although the stamp duty balance was not copied correctly to the ledger by mistake, the 2019 accounts were prepared accurately based on the correct opening balance. |
| (viii) | The solar power system valued at Rs.7,968,000 installed on 03 August 2018 had not been accounted for as a fixed asset. | Should be accounted for as a fixed asset. | This register has been prepared based on the files in the possession of the Council and the relevant officials have been instructed to inquire from the Land Registrar's Office and obtain the remaining information and proceed further. |

(b) Unreconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
When reconciling balances relating to eleven items between registers/reports with Financial Statements, it shows understatement of Rs.13,850,065 and overstatement of Rs.25,158,711 in the financial statements.	Action should be taken to reconcile the differences in the related balances and to correct the accounts.	Will be corrected when preparing the 2020 Final Accounts.

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Necessary information had not been submitted to audit relating to six items of accounts aggregating Rs.27,253,988.	Necessary information had to be submitted to verify the balances.	Although the stamp duty balance was not copied correctly to the ledger by mistake, the 2019 accounts were prepared accurately based on the correct opening balance.
(ii) The financial / physical progress etc. had not been submitted for audit relating to expenditure incurred for each industry built on contract basis at a cost of Rs.101,280,234 during the year under review.	Necessary information should be submitted to audit.	No comments.

1.4 Non-compliance

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

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Section 218 of the Municipal Council Ordinance (Chapter 252)	The Mayor had not submitted to the Council a detailed report on the administration of the	Should be act in accordance with Section 218 of the Municipal Council	The report is being prepared and will be submitted at a next Council meeting.

		Council, including a statement of receipts and payments of the Council.	Ordinance (Chapter 252)	
(b)	Establishments Code of the Democratic Socialist Republic of Sri Lanka -----			
(i)	Chapter XIX, Sections 1	Quarters owned by the Council were not classified as scheduled and public quarters.	Should be act in accordance with the Establishments Code.	The official quarters section of the Establishments Code applies only as a guideline. It is not possible to classify official quarters without such a decision, as they had to be decided by a council consensus regarding official quarters.
(ii)	Chapter viii, Sections 10.1(a)	One twentieth allowance had been received by 7 officers for 94 days without covering 08 hours duty, 8 officers for 121 days without recording one entry of either arrival or departure per day and 5 officers for 22 days without fingerprint entry for arrival and departure.	Should be act in accordance with the Establishments Code.	According to the duties of these officers, there are occasions that they do not have to work within the Council for 8 hours. Therefore, payments have been made in accordance with the relevant circulars as there is no possibility of recording notes on the fingerprint machine ,on running records, participation in workshops, special discussions etc.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----			
(i)	Financial Regulations 110	A register of losses and damages had not been updated.	Should be act in accordance with the Financial Regulation.	A register of losses had been maintained by now.

(ii) Financial Regulations 177 & 187(1)	Money should be banked daily or as soon as possible, but the entire amount or part of money had been banked few days delay.	Should be act in accordance with the Financial Regulation	The relevant officer has been informed to take necessary steps to bank the money received in the same day.
(iii) Financial Regulations 188 (2)	Action had not been taken in respect of five cheques deposited but not realized and two money orders amounted Rs.48,681, relating to the period January 2010 to 20 January 2014.	Should be act in accordance with the Financial Regulation	A letter has been sent to the Bank requesting information regarding these 05 cheques.
(iv) Financial Regulations 371(2) & (5)	Advances received in 79 instances during the period from 2000 to 2016, had not been settled and there were 58 instances where advances were settled delaying 10 to 388 days.	Should be act in accordance with the Financial Regulation	Action will be taken to recover the money.
(v) Financial Regulations 486(b) & (2)	Twenty cheques valued at Rs.284,876 received from 2002 to 2019 had been dishonoured. But action had not been taken to recover the value of those cheques.	Should be act in accordance with the Financial Regulation	Letters have been sent informing notified to pay and action will be taken to recover the money in future.
(vi) Financial Regulations 571	Action had not been taken for deposits aggregating Rs.37,928,717 lapse over 2 years.	Should be act in accordance with the Financial Regulation	Action is being taken to get in to income deposit over 2 years recorded in the deposit register yearly.
(d) Public Administration Circulars -----	Paragraph 3.1 of the Public Administration Circular No. 30/2016 of 29 December 2016	Fuel consumption of the vehicles of the Council had not been tested.	Fuel consumption test should be carried out. There are not enough officers to deploy for this. Fuel consumptions are checked when necessary. As vehicles

are old, they burn more fuel and had to pump more fuel. Action will be taken to check fuel consumption when there is time in future.

(e) Public Finance Circular

Circular No.03/2015 of
14 November 2015

Although the amount of advance that could be given at once in should not exceed Rs.100,000. Contrary, to that five instances the Council had issued advances exceeding Rs.100,000 during the period from January to April 2019.

Should be act in accordance with circular

Although these advances had exceeded Rs.100,000 in the course of the operation of certain sections of the Municipal Council (e.g. emergency repairs in the Municipal Garage), action has been taken to get settle the relevant advance amount correctly.

1.4.2 Transactions not Covered by Sufficient Authority

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(i) A sum of Rs. 1,500,000 had been given on the basis of recovering 20 installments at 4% interest, to 15 Municipal Councilors from the Council Fund for a foreign trip in violation of the provisions made under Section 188 (1) of the Municipal Councils Ordinance.	Should be act in accordance with the Municipal Council Ordinance.	Recovering in installments from their salaries of these Municipal Councilors.
(ii) A sum of Rs.1,181,197 the revenue earned from providing public services in the Mixed Revenue, Assessment and Planning Sections from January to June 2019 was distributed among 27 officers without formal approval, contrary to the provisions of Section 185 (2) (e) of the Municipal Council Ordinance.	Should be act in accordance with the Municipal Council Ordinance	This staff makes an extra effort to collect revenue to the council. Therefore, these payments have been made through the Committee of Finance with the approval of the Council.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2019 amounted to Rs.284,365,691 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.299,585,345.

2.2 Financial Control

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Rs.24,232 direct debits and Rs.912,336 direct credits from 2013 had not been identified and adjusted in the accounts.	Direct debits and credits should be identified and settled.	The bank has been informed to settle the outstanding amount of Rs.24,232. informing you that the accounts will be adjusted accordingly. The direct credit amount of Rs.912,336 has been reduced by Rs.14,837 today.
(b)	There were instances where the total amount received daily by the shroft section was not banked and a part of that as well as more or less was banked than the amount received.	All money received daily should be banked.	The relevant officer has been informed to bank the money received on the same day.
(c)	Rs. 5,089,502 had been paid as overtime and holiday salaries in excess of the budget estimate of the Council.	Expenditure should be borne within the limits of the annual budget estimate.	Despite the annual budget allocations, overtime had to be allocated according to the situation in the service of the public, such as cleaning the drains, dengue control projects, etc. Those payments have been made correctly by transferring the expenditure headings.

2.3 Revenue Administration

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

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

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	429,000	396,850	364,849	396,690	424,300	400,112	375,515	368,936
Rent	10,829	14,069	14,707	13,925	19,035	16,217	12,638	16,548
Licence Fees	22,650	23,159	15,608	91,084	23,500	45,731	16,895	86,815
Other Revenue	23,000	12,130	7,843	13,490	300,000	-	184,543	514,918
	485,479	446,208	403,007	515,189	766,835	462,060	589,591	987,217

2.3.2 Revenue collection performance

The budget recurring revenue for the year 2019 was Rs.1,820,130,000 and actual recurrent revenue was Rs.1,647,231,326 and the Council had failed to earn Rs.172,898,674.

2.3.3 Rates and Taxes

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Rates		
(i)	Although the Rates billed for the year under review amounted to Rs.389,722,862, the Council had recovered only Rs.270,996,446 which is 70 per cent.	Action should be taken to recover the billed rates.	Some property owners make payments at the beginning of the year when the assessment is made and red notices will be issued for non-payment of rates and action in being taken to recover.

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| (ii) | Arreas of rates as at 31 December 2018 was Rs.256,588,352 and was failed to be recover. | Action should be taken to recover arrears of rates. | Red notices have been issued for properties in arrears of rates and action has been taken to restrain the properties. This include properties owned by the Municipal Council too. |
| (iii) | During the year under review, red notices had been issued for 424 properties and expected to collect a sum of Rs.122,178,483. However, any amount of money had not been recovered from 126 Units that red notices were issued. | Action should be taken to recover arrears of rates. | Revenue inspectors have issued red notices and made every effort to recover the assessment tax. There are also instances some recipients when received red notices pay with fines. |
| (iv) | When red notifications were issued for the recovery of rates the arrears of Rs.10,753,733 had not been recovered from un-identified 51 properties. | The property should be identified arrears and to be recovered. | Unidentified property has been referred to the Valuation Division for identification. |

(b) Garbage Tax

Audit Observation

The Council had not entered into agreements with the places where the garbage is to be disposed, and it could not be able take legal action collect the arrears of garbage tax. The arrears of garbage tax as at 31 December 2019 was Rs.13,427,850.

Recommendation

Action should be taken to recover the outstanding garbage tax.

Comments of the Accounting Officer

The Legal Officer has been directed to prepare a draft agreement for entering into the agreement and the information required to enter into the agreement with the business premises is being obtained.

(c) Entertainment Taxes (Film Halls)

Audit Observation

Entertainment tax had not collected from three film halls and had failed to recover Rs.154,302 of arrears coming from previous years.

Recommendation

Action should be taken to recover entertainment tax.

Comments of the Accounting Officer

Although the relevant institutions have been informed by letters, the response received from the cinema halls is unsatisfactory and a sum of Rs.9,000 had been received from

the Pathma cinemas.
Action should be taken to collect the arrears through revenue inspectors.

(d) **Other Tax**

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Action had not been taken to recover the arrears of cable TV income of Rs 4,718,601, arrears of special advertisement boards of Rs.10,490,318 and arrears of special advertisement notices (Street Name Boards) of Rs.1,500,000 as at 31 December 2019.	Should take action to recover the balances.	The arrears of cable TV could not be recovered due to the withdrawal of the company from the agreement with the Council and action had been taken to reached to an agreement with the company. Steps are being taken to charge Rs.1,500,000 for street name boards.

2.3.4. **Rent**

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Trade Stall Rent		
(i) Action had not been taken to recover the arrears of trade stalls rent of Rs. 8,682,115 as at 31 December 2019 and there were 152 stalls that had been in arrears for more than three months.	Action should be taken to collect the arrears.	Further action is being taken through Revenue Inspectors to recover these arrears.
(ii) According to the arrears revenue report, action had not been taken to recover the arrears of meat stalls rent of Rs 2,471,517 from 2014.	Should take actions to recover the arrears.	When examine the ledgers we did not noticed such a carried forward balance in the ledger of the miscellaneous revenue section.

(b) Renting out of Property (Not Leasing out)

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(i) The billed revenue during the year was Rs.1,063,000 but only Rs.123,631 had been recovered.	Action should be taken to collect estimated revenue.	Action taken to recover the money and legal action is being taken against shops having arrears.

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| (ii) | Action had not been taken to recover rent arrears of Rs.5,410,402 as at 31 December 2019 from 14 properties. | Actions should be taken to recover the due balances. | Action taken to recover the money and legal action is being taken against shops having arrears. |
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2.3.5 Licence fees

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----	
(i)	The billed revenue for the year under review was amounted to Rs.13,698,500. However, only Rs,5,630,461 had been recovered during the year under review.	Action should be taken to recover the billed amount with in the year.	Action had been taken to recover from businesses that have not paid business tax, and the Revenue Inspector Division has taken legal action to recover that income.
(ii)	The outstanding industry and business tax balance as at 31 December 2018 was Rs.86,815,517 and only Rs.3,762,091 had been recovered during the year under review.	Action should be taken to identify the properly where taxes are to be levied and to collect.	When estimating business tax revenue, in cases where there are several floors in the same building, only one business is maintained even if the building is assessed separately.

2.3.6 Court Fines and Stamps Duty

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Court Fines -----		
Action had not been taken to recover court fines amounting to Rs.107,592,699 since 2015 to 31 December 2019.	Action should to be taken to collect estimated revenue.	Measures have been taken to recover the revenue due to the Western Provincial Council and the revenue due to the Municipal Council separately according to the methodology of collecting court fines.

2.3.7 Surcharges

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
In terms of the provisions of the Municipal Councils Ordinance Rs.3,563,042 was to be recovered	Action should be taken to recover the surcharge immediately.	Action had been taken to underway.

as at 31 December 2019, in respect of surcharges imposed by me in previous years against the responsible parties.

3. Operating Review

3.1 Performance

The following are the observations made relating to the regulation and control of matters of public health, public utility services and public roads, and the performance of the duties which were to be performed by the Council for the welfare and convenience of the people under Section 4 of the municipal Council Ordinance.

(a) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
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According to Government Finance Circular No. 01/2014 dated 17 February 2014, the Council had not prepared an Annual Action Plan for the activities to be discharged.	An annual action plan should be prepared.	As soon as the cooperative plan is prepared, the action plan will be prepared.

(b) Non-achievement of the Expected Benefits

Audit Observation	Recommendation	Comments of the Accounting Officer
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A sum of Rs. 4,500,000 had been deposited to the Divisional Secretary in February 2018 for the purpose of acquiring land to open the road from Wanaratana Road to Fonseka Road. But the land had not been acquired even as at the end of the year 2019. The cost of constructing this road which is directly accessible only to two families and the benefits in comparison were at a minimal level.	Council funds should be used to get the maximum efficiency.	This has been done in accordance with the decisions taken by the general Council.

(c) **Delays in Execution of Activities**

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Six projects valued at Rs.49,816,618 had not been completed even as at 31 December 2019.	The projects should be implemented.	No comments.
(ii) A total cost of Rs.110,000,000 including Rs.50,000,000 and Rs.60,000,000 had been shown respectively in the 2018 financial statements as the construction expenditure of the Indoor Stadium at the Pressure Stadium and the Indoor Stadium at the Dehiwala Public Stadium. But construction in these two industries had not been completed even by 31 December 2019.	Action should be taken to implement the projects.	Construction work of the Pressure Stadium has not yet been commenced and work of the indoor stadium at the Dehiwala Public Stadium is underway.
(iii) An expenditure of Rs. 1,500,000 has been shown in the financial statements for the survey work of street lamp in the year 2018. But the survey had not been completed even by 31 December 2019.	Surveys should be completed expeditiously.	Provisions had been made but could not select the institution to carry out the survey work as it was not approved by the Council.
(iv) Although an expenditure of Rs.6,195,000, had been shown for purchasing a Skid Steer Loader in 2018 financial statements. But it had not been purchased even by 31 December 2019.	Purchases should be made expeditiously.	The tender was opened on 16.07.2020 to purchase the machine and accordingly arrangements have been made to procure the machine in future.

(d) **Solid Waste Material Management**

Audit Observation	Recommendation	Comments of the Accounting Officer
Council had to pay Rs.23,102,250 in excess for mixed garbage as the garbage collection was not managed properly.	Garbage collection should be managed properly.	This has not been done in proper manner and since both mixed and non-segregated garbage are included in the non-separated garbage. At present arrangements have been made to do it in the formal manner.

3.2 Management Inefficiencies

	Audit Observation ----- -----	Recommendation ----- -----	Comments of the Accounting Officer ----- -----
(a)	Action had not been taken to get reimburse the Members' allowances of Rs.1,827,000 for the period 2013 to 2014.	Action should be taken to get reimburse the membership allowances in a timely manner.	Letters have been sent to the Western Provincial Commissioner with a copy to the Chief Secretary of the Western Province to write off the non-reimbursed payments for the years prior to 2015.
(b)	Action had not been taken to get obtain reimburse the salary amount of Rs.124,425,530 for the period of 2013 and 2016 from the Department of Local Government.	Action should be taken to get reimburse the salary.	Action will be taken to write off the salary not get reimbursed before 2015 after obtaining the approval in accordance with the Circular and recover the remaining amount.
(c)	Council was unable to recover an amount of Rs.82,425 since 2017 relating to the disposal of garbage from the Ratmalana Special Economic Center.	Action should be taken immediately to recover the receivable revenue.	The file has been referred to the Legal Officer for further action as per resolution 07 (x) 59 of the General Council on 28.03.2019.
(d)	The Council had paid Rs.87,844 an arrears of water bill for the years 2009 and 2010, the council also had informed by the letter dated 4 September 2018 to recover that from the pension gratuity of the relevant officer but it had not been recovered even by 31 December 2019.	The disciplinary inquiry should be completed without delay and the outstanding bills should be recovered.	The money could not be recovered as his disciplinary inquiry had not been completed.
(e)	Although the contract period of four quarters had expired, the occupants were still staying in those quarters despite the fact that action had not been taken to evict them or sign new contracts.	After the expiration of the contract period, the occupants should be evicted or new agreements to be signed.	Council approval has been obtained to extend the contract period of all quarters and preparation of the agreement is currently underway.
(f)	The security camera system valued at Rs.52,920 purchased for the quarters	Should be act in accordance with Section	It has not been included in the inventory that a security

was not available at the quarters.

09 of the quarters Agreement.

camera system has been installed in the quarters of the former Commissioner and, the goods and fixtures included in the stores inventory are inspected and received with a officer of the Internal Audit Unit when the house is received.

- (g) According to the Security Services Agreement, employees should be transferred after a 12-hour shift, but contrary to that certain employees were deployed for duty for 20 consecutive days. Should be comply with the Security Services Agreement. Action has not been taken to deduct the relevant fees from the monthly bill as the details of the employees who were continuously deployed for duty have not been reported.
- (h) Goods Receipt Notes (GRNs) for fixed assets valued at Rs.2,192,050 purchased in 2019 had not been issued. Goods Receipt Notes (GRN) should be issued at the time of purchase. No comments.

3.3 Human Resources Management

(a) Staff Vacancies and Excesses

	Audit Observation	Recommendation	Comments of the Accounting Officer
(i)	By the end of the year under review there were 149 staff vacancies and two excesses including seven approved vacancies at the senior-level posts.	Action should be taken to fill the essential vacancies.	Although discussions have been held in the Provincial Council from time to time, the above authority has so far failed to fill the vacancies.
(ii)	As per Public Administration Circular No.25/2014 dated 12 November 2014, 45 employees who had been given permanent appointments had not been included in the approved cadre of the Council even as at 31 December 2019.	Should be included to the approved cadre.	The salaries paid to these employees have been reimbursed by the Provincial Council.
(iii)	In the year 2019, 20 sanitary workers and two employees on daily basis	Should be included to the approved cadre.	These employees have been deployed exclusively for

were recruited on casual basis for the needs of the Council and Rs.7,118,061 and Rs.574,726 had been paid as salaries respectively.

the project and it is a great help in curbing the dengue menace in the area. These two employees have been duly recruited for the post of auto electrician in the garage and for the post of belling works and they perform essential duties.

- (iv) Eleven officers for 7 posts on contract basis and one officer for the post of Administrative Officer had been recruited exceeding the approved cadre. Recruitment should not exceed the approved cadre. As one of the administrative officer was appointed to act as a full-time secretary of the council and an administrative officer was recruited on a contract basis.
- (v) According to the letter dated 07 June 2018 of the Secretary (Acting) of the Ministry of Local Government, Western Province, only 4 posts could be filled on contract basis subject to a maximum of 12 months, but contrary to that 6 retirees officers had been recruited for other posts. Recruitment should be done on formal approval. In an environment where new recruits were not attached these retired officers were recruited to continuedly run the work of the council.
- (vi) An officer in Grade II (b) of the Public Health Inspection Service should be entitled to a salary scale of MN 06 after receiving the post of Health Education Officer from the MT 05 salary scale, but the SL 01 salary scale was given by the Provincial Public Service Commission. Should be kept within the prescribed salary scale. The salary scale of a public health inspector is MT-05. SL-01 Salary Scale was given by the Provincial Public Service Commission. But in the 2013 staff review, the MN-06 salary scale was given when resolving pay anomalies. The same recommendation applies to the recruitment of new staff. Further the appointment of this Health Education Officer has been approved and pre-dated to 15 July 2006 by the Provincial Public Service Commission.

(b) **Disciplinary Activities**

	Audit Observation	Recommendation	Comments of the Accounting Officer
	<p>As a result of not adhering to Public Administration Circular 03/2016, action had not been taken to pay arrears of salary giving salary increments from 2013 to 2015 by revising the salary of an employee of the Council. Further without a formal inquiry he had been indicated and sent on Compulsory leave from 21 December 2016. Although reinstated on 17 August 2018 disciplinary proceedings had not been finalized up to 31 December 2019.</p>	<p>Disciplinary inquiries should be conducted without delay and take further action.</p>	<p>While conducting his disciplinary inquiry this inquiry has not been completed due to an issue that has arisen in the formal disciplinary committee and that his promotion and other matters will be done as soon as the inquiry is completed.</p>
	<p>Staff Loan</p>		
(i)	<p>A balance of Rs.3,526,279 over 10 years of 592 employees had not been recovered.</p>	<p>Action should be taken to recover the staff loan balance.</p>	<p>Attempts are being made to obtain the current addresses and National Identity Card numbers of the borrowers and take legal action to recover the loans. Steps have been taken to prevent such a situation in the future by obtaining guarantors.</p>
(ii)	<p>Action had not been taken to recover from the guarantors or the pension gratuity, the arrears of staff loans of Rs.4,982,811 from the retired ,suspend, transfers and deceased 74 employees as at 31 December 2019 .</p>	<p>Action should be taken to recover the loan balance.</p>	<p>-Do-</p>

3.4 Operating Inefficiencies

(a) Lease property

	Audit Observation	Recommendation	Comments of the Accounting Officer
(i)	Leases rent of certain properties had not been revised in every five years.	The lease rent should be revised in every 5 years.	Action had been taken to increase rents from 2020 onwards.
(ii)	Although the properties owned by the Council were leased out, the lease agreements of some of the properties had not been signed and time period of some of the agreements had been expired.	Lease agreements for property should be signed.	The agreement had been made to be signed in 2020.
(iii)	Some of the leased-out property had been sub-leased without the permission of the council.	Sub- leasing should not be done without the permission of the council.	Sub- leasing has not been made.
(iv)	Legal action could not be taken despite arrears of rent due to deficiencies in the agreements relating to certain properties of which lease agreement had been signed.	Lease agreements should be revised from time to time.	Action is being taken to rectify these shortcomings.
(v)	Although only contractual business could be conducted as permitted by the Council, there were instances where some other businesses were being carried out at present.	Only contractual business should be carried out.	Action will be taken to correct this error in new agreement.
(b)	Trade Stall Rent		
	Out of 209 trade stalls owned by the Council, rentals of 152 trade stalls were in arrears and although many of the stalls were leased out, agreements had not been signed with the leaseholders. Further agreement period had been expired but action had not been taken to renew those agreements.	Lease agreements should be signed and renew after the due date.	They have agreed to pay the arrears of rent in installments and entered into agreement after the payment of the arrears.

3.5 Asset Management

3.5.1 Lack of Security of Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) There were no deeds or acquisition orders required to establish the ownership relating to 35 properties owned by the Council.	The ownership of property owned by the Council should be ascertained and their extent of those should be confirmed and identified.	Steps have been taken to initiate legal action and to take appropriate security measures in this regard.
(b) An annual survey of lands had not been conducted for a long time and there were five instances where lands belonging to the council had been illegally acquired by other persons.	An annual survey of the lands owned by the Council should be made and the assets should be protected.	Arrangements have been made to take the necessary legal action and take precautionary measures in this regard.
(c) Watabawatta Kongahawatta land on Ediriweera Road, Dehiwala, which is a council property and extent of that is, was 4.94 perches. Although it was stated that there was unused well, it was found that there was not well. There was no security fence around this bare land and residents in the area used this land to dispose building materials and garbage.	Security arrangements should be made for council property.	No comments.

3.5.2 Non-receipt of Income from Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The land in the extent of 01 Rood and 4.19 Perches called Mount Lavinia Estate was being illegally occupied by an outside party.	Action should be taken to obtain from the unauthorized party.	No comments
(b) A land in the extent of 01 Rood and 4.10 perch which had been given on lease to the Mount Lavinia Hotel to use as a vehicle park, and due to the	Action should be taken to come in to a new agreement or amend the current agreement and	The agreement, which was signed so many years ago, is due to expire in 2020. After that an assessment will be

shortcomings in the agreements, the arrears of the property rent as at 31 December 2019 was amounted to Rs.4,319,761. It was unable to recover the lease rent from lessee.

recover arrears.

done and come into a new agreement. Referrals are made for legal advice and further action to be taken in this regard.

- (c) Although the lessee is not allowed to sub- lease a leased property without the permission of the council, property given on lease to a Municipal Councilor had been sub-leased to someone else and charged a higher rent than the rent paid to the Council. Further, according to the Municipal Council registers, there was a arrears of rent amounting to Rs.435,340 as at 30 December 2019.
- Sub-leasing should not be done without the permission of the council.
- Further action is being taken regarding the recovering.

3.5.3 The Assets that were not Acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
Lawsuit has been filed on 27 August 1999 against an unauthorized occupant who is enjoying 19.10 perches of land owned by the Council in Fezer Avenue to regain the property.	Action should be taken to regain the property from the unauthorized occupant.	The answer can not be accepted.

3.5.4 Idle/Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken to regain 19 stalls leased out and that were closed and sealed and to lease out those to some other and to earn income.	Action should be taken to earn income.	At present action is being taken to the lease and seal it.
(b) A garbage collection vehicle has been in a state of idle for more than 9 months.	Action should be taken to used.	No comments.
(c) Although a sum of Rs.2,346,088 had been	Action should be taken to used conference hall.	No comments.

incurred to construct the 5th phase of the Badowita conference hall in the years 2015 and 2018 it had not been used.

3.6 Identified Losses

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) The sanitary worker who was appointed to the post of storekeeper made a loss of Rs.131,475 has been occurred to the Council by changing the Good Issue Order Notes during the period from November 2017 to August 2018. But action had not been taken to recover the loss conducting a formal inquiry.	Action should be taken to recover the loss in terms of the Financial Regulation 156.	A charge sheet had been issued to the accused person and a preliminary investigation will be conducted in this regard and action will be taken to recover the loss.
(b) Salary and Allowance amounting to Rs.1,413,903 had been paid to an employee whose service was suspended from 11 November 2011 to April 2016. As it was unable to recover that amount even by the end of the year under review a case has been filed at the Mount Lavinia Magistrate's Court. In addition to the net salary, a sum of Rs.44,983 to the Widows 'and Orphans' Fund and Rs.6,050 to the National Insurance Trust Unit as insurance premiums had been paid.	Action should be taken against the responsible authorities.	Still the case is being heard.
(c) Action had not been taken to recover the loss and to take disciplinary action in respect of the assessment tax fraud of Rs. 145,470 committed on 18 November 2019.	Action should be taken to recover the loss as per FR 156.	A complaint has been lodged in the Mount Lavinia Police against the employee and an investigation has been launched by issuing charge sheets at the departmental level.

3.7 Apparent Misappropriation

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The service of the driver of the carrier boom was suspended for unauthorized disposal of garbage from the University of Sri Jayewardenepura to the karadiyana garbage yard. According to the preliminary investigation report dated 29 May 2019, the financial loss incurred to the Council to be calculated and re-employed on 17 June 2019 on the basis of future recovery from salary. Although the loss incurred by depositing unauthorized garbage was estimated as Rs.229,623, it was observed that the actual loss was much higher.	Action should be taken to calculate and recover the financial loss.	As the amount decided to be charged from the employee is not enough, further discussions are to be held in the Finance Committee.
(b) Although it has been reported that a health administrator has used the tractors of the Municipal Council to dump garbage in the areas belonging to the Kotte Municipal Council and earn large sums of money and commit various irregularities, no investigation has been carried out in this regard.	An investigation should be carried out and action should be taken to recover the losses	An investigation has been carried out and arrangements have been made the amount to be charge to the Health Administrator after a discussion in the Council.

4. Accountability and Good Governance

4.1 Unresolved Observation and Unreplied Audit Queries

Audit Observation	Recommendation	Comments of the Accounting Officer
Answers had not been given for 14 audit queries issued in the year under review even by 20 May 2020.	Answers should be given within the relevant time period.	There are 09 unreplied queries and drafts of 05 of them are being prepared and submitted. The remaining 04 answers are being prepared.