

**Sri Jayawardenapura Kotte 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 26 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Mayor on 11 September 2020 and 23 December 2020 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters shown in this report, the financial statements of the Sri Jayawardenapura Kotte Municipal Council give a true and fair view of the financial position as at 31 December 2019 and 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**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) The generator repair charges of Rs.485,892 payable for the period 01 October 2019 to 30 September 2020 had been brought to account as an expenditure of the current year.	Should be correctly brought to account.	No comments
(b) The air conditioner purchased for Rs.3,798,243 during the current year had not been capitalized.	Should be correctly brought to account.	No comments.
(c) The expenditure of Rs.249,430 incurred on purchasing technical equipment had not been capitalized.	Should be correctly brought to account.	It is policy of the Council to account any item over Rs.5,000 as fixed assets. Accordingly, the value that should be brought to account as fixed assets is Rs.249,430.
(d) The sum of Rs.116,760 payable for purchase of technical equipment had been accounted twice.	Should be correctly brought to account.	No comments.

(e)	The revenue from stalls of the Janajaya city trade complex for the year 2018 amounting to Rs.2,380,956 had been brought to account as revenue of the current year.	Should be correctly brought to account.	No comments.
(f)	The total garbage tax receivable as at end of the current year amounting to Rs.4,179,285 had been shown as Rs.756,750 in the financial statements.	Should be correctly brought to account.	No comments.
(g)	The bills issued for garbage tax for 2019 amounting to Rs.14,974,200 had been credited to the Income and Expenditure Account as Rs.11,908,915.	Should be correctly brought to account.	No comments.
(h)	The sum of Rs.1,513,170 receivable from the Water Supplies Board for damaging 02 roads while laying water pipes in 2018 had not been brought to account.	Should be correctly brought to account.	No comments.
(i)	The service charges of the generator at Janajaya City Super Trade Complex payable amounting to Rs.527,733 had not been brought to account.	Should be correctly brought to account.	No comments.

### 1.3.2 Unreconciled Control Accounts

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
The difference between the total value of 02 items of accounts and the total as per related schedules amounted to Rs.16,144,281.	Should be correctly brought to account.	No comments.

### 1.3.3 Accounts Receivable and Payable

Audit Observation	Recommendation	Comments of the Accounting Officer
<b>(a) <u>Accounts Receivable</u></b>		
(i) Entertainment tax Rs.2,781,680 due from 02 cinema halls remained unrecovered for 04 years.	Action should be taken to recover balance recoverable.	No comments.
(ii) The sum of Rs.51,000 due from external parties for issue of books had not been recovered.	Action should be taken to recover balance recoverable.	No comments.
<b>(b) <u>Accounts Payable</u></b>		
Pensionary contributions of Rs.188,581 payable for the last quarter of 2018 had not been paid.	Action should be taken to recover balance recoverable.	No comments.

### 1.3.4 Lack of Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Acceptable evidence had not been furnished for 06 items valued at Rs.586,637,185.	Evidence to confirm balances of accounts should be furnished.	No comments.

### 1.4 Non – Compliance

#### Non – compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules.

Reference to Laws, Rules, Regulations and Management Decisions	Non compliance	Recommendation	Comments of the Accounting Officer
(a) <b>Municipal Councils Ordinance</b> Section 47 d (1)	Although there were 1218 barren lands in 10 revenue divisions in the	Tax should be recovered from lands not developed.	No comments.

authoritative area, tax had been recovered from 13 lands only.

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|---|--|---|---|--------------|
| (b)   | Special Provisions Act relating to Local authorities No.48 of 1971 | All immovable properties should be assessed every 05 years for recovery of tax.   | Assessment of tax should be updated.              | No comments. |
| (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka |  |   |   |              |
| (i)   | F.R. 371(5)  | Twelve advances of Rs.477,227 granted to officers during the year under review had not been settled.                                  | Advances granted should be settled without delay. | No comments. |
| (ii)  | F.R. 1642<br>F.R. 128(I)(c)  | A sum of Rs.966,259 had to be paid as water charges as meters had not been fixed to the water posts at the Nugegoda bus halt complex. | Public water posts should be properly managed.    | No comments. |

**Establishments  
Code of the  
Democratic Socialist  
Republic of Sri  
Lanka**

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|-----|-------------------------------|---|--|--------------|
| (i) | Chapter XXIV<br>Section 4:2:5 | “No claim” certificates had been issued to 18 retired employees without recovering the arrears of employees loans amounting to Rs.1,219,423 from the respective officers from their commuted pension gratuity. As such, it was unable to recover the arrears. | Action should be taken to recover outstanding loans. | No comments. |
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**(d) Other Circulars**

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|------|---|---|--|--------------|
| (i)  | Paragraph 5 of Circular No.01 of 20 March 1985 of the Urban Development Authority | Fees are levied from applicants for allocation of large scale land, unauthorized usage by making alterations etc., 25 per cent of these fees and the service charges obtained for inadequate parking facilities of vehicles had not been remitted to the Urban Development Authority. | Amount payable should be settled.                      | No comments. |
| (ii) | Circular of the Local Government No.LGD/13/2016 of 09 November 2016.              | Assessment of stall rent should be made at least once in 03 years. However, the last assessment had been made in 2013.  | Assessment of stall rent should be done without delay. | No comments. |

**2. Financial Review**

**2.1 Financial Results**

According to the financial statements presented, the excess of expenditure over the recurrent income of the Council for the year ended 31 December 2019 amounted to Rs.75,615,584 as against the excess of revenue over recurrent expenditure of the previous year amounting to Rs.333,399,607.

**2.2 Financial Control**

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Thirty six cheques valued at Rs.116,514 dishonoured during 06 to 25 years had not been settled.	All dishonoured cheques should be settled without delay.	No comments.
(ii) A sum of Rs.14,300,405 had been collected as	Information regarding all receipts and payments	No comments.

deposits of Urban Development Authority should be included in the accounts. from 1986 to 2019. Of this, Rs.1,577,618 had been spent which had not been disclosed in the account.

## 2.3 Revenue Administration

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

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

Source of Revenue	2019				2018			
	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	239,525,000	246,594,368	255,995,509	100,551,431	222,000,000	237,433,234	211,577,509	101,507,737
(ii) Rent	64,332,000	54,329,729	39,913,489	17,193,174	65,053,000	29,562,074	29,302,712	5,522,091
(iii) Licenses Fees	11,601,000	6,430,110	6,445,110	-	6,361,000	6,715,639	6,715,639	-
(iv) Other	479,637,000	153,025,946	145,523,609	3,987,517	379,542,000	468,558,207	466,230,979	3,425,777
<b>Total</b>	<b>795,095,000</b>	<b>460,380,153</b>	<b>417,877,717</b>	<b>121,732,122</b>	<b>672,956,000</b>	<b>742,269,154</b>	<b>713,826,839</b>	<b>110,455,605</b>

### 2.3.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs.22,487,530 was due from 167 units of rates exceeding Rs.50,000 as at end of the year under review.	Arrears of revenue should be recovered without delay.	No comments

### 2.3.3 Revenue from Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The arrears of rent due from the Super Trade Complex, Public Market Complex, People's Fair and Latrines as at end of the current year amounted to Rs.16,841,017.	Arrears of rent should be recovered without delay.	No comments

(b)	None of the arrears of Rs.104,456 recoverable from the commencement of current year had been recovered from the latrines at Nugegoda People's Fair and the Nugegoda Bus Stand. Out of the rent due from the Nugegoda bus stand for 2019 amounting to Rs.214,500, a sum of Rs.93,300 only had been recovered.	Arrears of rent should be recovered without delay.	No comments
(c)	i. The revenue from rent from 421 stalls including the business centres, office and cinema halls at the Janajaya City Trade Complex for the current year amounted to Rs.25,181,120. Recoveries during the year amounted to Rs.14,860,760.	Arrears of rent should be recovered without delay.	No comments
	ii. Of the above stalls at the trade complex no recoveries had been made from 52 stalls during the year which amounted to Rs.5,463,441.	Arrears of rent should be recovered without delay.	No comments

## 2.4 Surcharges

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
A sum of Rs.24,386,888 was recoverable on 10 surcharges imposed by me during the previous years against those who were responsible, in terms of (Chapter 252) Section 226(1) of the Municipal Councils Ordinance.	Action should be taken to recover surcharges imposed without delay.	No comments.

### 3. Operating Review

#### 3.1 Performance

Matters relating to functions to be fulfilled by the Council with regard to regularization and control of public health, utility services and public highways, health facilities and welfare of the public as required by Section 4 of the Municipal Councils Ordinance appear below.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<b><u>Abandoned Tasks</u></b> The Pitakotte Janajaya City mixed Development Project, workshop of the Municipal Council, vehicle maintenance unit, stores complex building and the new Municipal Council office building construction projects commenced by the Council by spending Rs.295,579,801 had been abandoned without completion.	Action should be taken to complete the respective work.	No comments.

#### 3.2 Management Weaknesses

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) The assistance of the management had been rendered to an employee of the Council to conduct a canteen in a mobile van within the premises of the Delkanda Plaza Trade Complex during office hours.	The management should take care of , to see that employees are not engaged in activities other than their duties.	No comments.
(b) The walls and slabs of the Angampitiya two storied housing complex constructed at a cost of Rs.48,320,909 in 2015 had broken due to the negligence of the contractor in 2016 As such, the residents had been offered temporary shelter elsewhere. A sum of Rs.49,337,170 had been spent to construct the said building by 31 December 2019. But, action had not been taken to recover the loss from the contractor by legal means.	Necessary action should taken regarding the contractor.	No comments.



### 3.3 Human Resources Development

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a)	<b><u>Vehicles in the Cadre</u></b> The approved cadre as at 31 December 2019 was 102. 09 out of 19 executive posts required for making decisions at the Council had fallen vacant.	Action should be taken to fill essential posts.	No comments.
(d)	<b><u>Employee's Loans</u></b> Out of the balances of employee's loans as at 31 December 2019. Rs.5,324,996 was irrecoverable. In addition, an unidentified balance of loans of Rs.1,786,633 had also been included in this.	Balance of employee's loans which had exceeded the period should be recovered without delay.	No comments.
(c)	Necessary action had not been taken to recover the unidentified loan balances of employees over 10 years amounting to Rs.1,786,633.	Action should be taken to recover balances recoverable.	No comments.

### 3.4 Operating Inefficiencies

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a)	The sum of Rs.11,500,000 deposited in the Urban Development Authority Account had been withdrawn during the current year without the approval of the Director General of the Urban Development Authority. This had been used for operating activities of the Council.	Approval should be obtained for usage of money belonging to others.	No comments.
(b)	A lessee had paid Rs.97,119,572 for conducting a hotel and a swimming pool at the upper floor of the Janajaya City Trade Complex. However, the Council had not handed over the completed premises to lessee, as per agreement. As such, the business activities had not commenced even by end of the current year.	Action should be taken to implement the agreement.	No comments.

### 3.5 Assets Management

#### 3.5.1 Idle / Under Utilized Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) The community centre building constructed at Arunodaya Mawatha 15 years ago was at the stage of destruction as it had not been renovated.	Action should be taken to beneficially utilize properties.	No comments.
(b) A book named "Asirimath Kotte" had been printed for Rs.2,825,375 in 2015. Of the 4,000 copies, 2809 copies remained as at end of 2019. Thses books and 561 covers valued at Rs.42,075 remained idle at the stores.	Action should be taken to distribute the books concerned.	No comments.
(c) A portion of the land of the Anula Rajamaha Viharasthanaya had been obtained on lease for Rs.1,680,000 in 2015 for construction of common amenities building. According to the soil testing report of the land, extra cost was needed to construct building due to the extensive weakness of the soil. Although 04 years had elapsed since the lease of this land, no benefit had been derived.	Action should be taken to use the Council's property beneficially.	No comments.

#### 3.5.2 Vehicle Utilization

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Action had not been taken to repair and make use of the ambulance and the garbage lorry valued at Rs.8,400,000 which remained unused.	Action should be taken to repair and make use of the inoperative vehicles, without delay.	No comments.

### 3.5.3 Identified Lossess

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(a) The garbage tax of rS.103,150 collected by a revenue collection officer during November and December 2018 had not been handed over at the Council.	Action should be taken to recover dues to the Council without delay.	No comments.
(b) Fines amounting to Rs.61,020 for delay in payment of revenue licenses of vehicles in 2019 had not been paid.	Should be recovered from those responsible.	No comments.
(c) The cab valued at Rs.7,000,000 belonging to the Council had been handed over for usage as official vehicle of the Governor, Western Province on 15 August 2017. In spite of this, the vehicle had been destroyed by fire. The present value of this vehicle and the additional expenditure incurred by the Council amounted to Rs.7,046,180. Apart from the compensation obtained from the insurance, the loss caused to the Council amounted to Rs.1,546,180.	Legal action should be taken without delay to recover the loss.	No comments.

### 3.6 Procurement

#### 3.6.1 Procurement Plan

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
A procurement plan had not been prepared for the year under review in terms of the Government Procurement Guidelines.	Procurement Plan should be prepared annually.	No comments.

### 3.6.2 Contract Administration

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(a) A sum of Rs.1,801,168,022 had been paid as at 31 December 2019 on behalf of the construction of Janajaya City building commenced in 2014. Included in this were contingencies and cost of extra work which amounted to Rs.113,181,789. Action had not been taken in terms of paragraph 8.13.4 of the Government Procurement Guidelines in this regard.	Action should be taken according to the Government Guidelines	No comments.
(b) The construction work of the workshop unit of the Municipal Council, Vehicle maintenance unit and stores complex, building started in 2014 and work had been done upto the foundation stage by spending Rs.7,651,987. At this stage, the contractor had abandoned the work. Action had not been taken to encash 2 bank guarantee of Rs.11,743,270. As such, the sum of Rs.6,183,416 over paid could not be recovered. The foundation had been filled with soil. Therefore, the sum of Rs.17,651,987 spent had become fruitless.	Action should be taken to utilize the properties of the Council beneficially and action should be taken to recover the money overpaid.	No comments

## 4. Accountability and Good Governance

### 4.1 Unreplied Audit Queries

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Replies had no been furnished yet for 05 audit queries issued to the Municipal Commissioner for the year under review and the previous year. These queries amounted to a computable value of Rs.145,847,368.	Action should be taken in terms of 38(I) of the Audit Act.	No Comments.