

Kolonnawa Urban Council

Colombo District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2018 had been presented to Audit on 29 March 2019 and the Summary Report and the Detailed Management Audit Report of the Auditor General on the financial statements had been issued to the Chairman on 31 May 2019 and 31 August 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph on basis for qualified opinion of this report, financial statements give a true and fair view of the financial position of the Kolonnawa Urban Council as at 31 December 2018 and its financial performance for the year then 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
(i)	Waste disposal fees relating to the current year and the preceding year amounting to Rs.31,126,530 and Rs.29,470,256 respectively had not been brought to account.	The expenditure payable relating to the period should be shown in the accounts.	A large amount of money payable to the waste disposal yard Muthurajawela Kerawalapitiya had remained in arrear from the previous year, while no revenue was available in the Sabha to account above arrears. Therefore the discussions are being made with the Ministry in respect of those bills and a decision thereon will be received.
(ii)	The stamp fees received in the current year on behalf of the year 2016 amounting to Rs.50,000,000 had been	The revenue received in the year 2018 on behalf of previous years should be	The excess amount of Rs.50,000,000 received in the year 2018 on behalf of the year 2016 had been considered as a

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| | credited to General Deposit Account instead of crediting the surplus and deficit account. | credited to the surplus and deficit account. | suspense revenue and credited the revenue Head in the year 2018 and transferred to a capital expenditure Head for a development project through a supplementary. Nevertheless, an adequate time period was not available to commence a project in the year 2018 and as such that amount had been credited to the deposit account by debiting the revenue Head. It had been done due to be deployed this amount for above project in the year 2019. |
| (iii) | The water charges payable for the current year and for the preceding year amounting to Rs.2,568,180 and Rs.44,062,878 respectively had not been brought to account. | All expenditure payable should be shown in the accounts. | Under the provisions of the Section 133 of the Urban Council Ordinance the settlement of bills in respect of public water posts and bathrooms had been made on the approval of the Council. Those places were limited to 17 at present even though a large amount was available earlier. A regular supervision is being made in respect of those matters but the Council will not be agreed to disconnect of those. |
| (iv) | The motor vehicles which had not physically available in the Council amounting to Rs.18,730,764 had been included in the financial statements. | Should have been investigated and rectified in respect of these assets. | These vehicles were physically available and action is being taken to assess all of these vehicles. Accordingly, action will be taken to rectify the accounts and to furnish. |
| (v) | Even though the balance of the bank accounts No.194100173792765 according to the cash book as at 31 December 2018 amounted to Rs.190,920, that value had been shown | The cash balance as at the end of the year should be shown in the accounts. | As the bank reconciliation statements for this account had not been prepared from the year 2005 to 2008, the reconciliations of the account was not done and as such the account had not been maintained in an updated |

as Rs.52,133 in the balance sheet.

manner. Even though the bank reconciliations had been prepared at present, the differences were shown in the balance according to the cash book and the cash account balance and the bank balance. Action will be taken to rectify the account balances as far as possible in future.

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| (vi) | A sum of Rs.440,546 credited to the rates and taxes control account to rectify the errors of the rates and taxes account had been debited to the cash grants and subsidy account instead of deducting from revenue of rates and taxes. | All expenditure should be brought to account correctly. | Accepted. The instructions were given to rectify the errors and not to arise this type of errors in future. |
| (vii) | The rates and taxes newly added in the current year totalling Rs.2,234,598 had been credited to the grants contributions and subsidy expenditure account instead of crediting the revenue account. | All revenue should be brought to account accurately. | Accepted. The instructions were given to rectify those and not to arise this type of errors in future. |
| (viii) | According to the financial statements the balance of the General Stores account amounted to Rs.47,431,690 but the balance according to the stores registers as at 31 December 2018 amounted to Rs.12,000,790, thus the assets had been overstated by Rs.35,430,900. | The correct value of stocks should be shown in the financial statements. | The difference between the balance of general stores account and the balance of the annual stock schedules had remained since several years. According to the report of the Provincial Public Accounts Committee held on 12 March 2019 action will be taken to appoint a special Board of Survey and to rectify the stock in hand and stock account to rectify above differences. |

(b) Unreconciled Accounts

The following differences were observed.

Audit Observation	Recommendation	Comments of the Accounting Officer
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A difference of Rs.14,177,942 had shown between the balances according to the financial statements of 03 items of accounts. and the balances of schedules relating to that.	The balances of accounts and the balances of schedules should be reconciled.	Action will be taken to rectify the schedule and the balance of the account in next year.

(c) Accounts Receivable and Payable

Accounts Receivable

Audit Observation	Recommendation	Comments of the Accounting Officer
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Action had not been taken to recover the balances receivable totalling Rs.998,410 relating to 04 items of accounts remained brought forward since several years.	Action should be taken to recover the balances receivable.	The reasons to write off the arrears of revenue which could not be recovered legally had been submitted to the Commissioner of Local Government. Action will be taken to write off from the registers once receiving the approval. Action is being taken to determine the respective period for the property loan interests over received and to settle. Action will be taken to eliminate the insurance compensation receivable from the account.

(d) Lack of written evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Due to non – submission of detailed schedules relating to 02 items of accounts valued at Rs.25,489,777, those items could not be satisfactorily vouched/ verified in audit.	The evidence to confirm the balances of accounts shown in the financial statements should be furnished.	Accepted. The valuation of all fixed assets will be carried out in accordance with new accounting method of the year 2019 and action will be taken to carry out rectifications according to the balance taking after the above valuation in future.

1.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Urban Councils Ordinance			
(i) Section 33	An adequate transfer certificate or other document for vesting of rights, ownership in respect of 15 properties belonging to the Council were not available in the Council.	Action should be taken in terms of the Act.	Action will be taken to prepare title deeds and survey plans for the all of the properties of the Council in future.
(ii) Section 33(2)	Even though, the all immovable properties owned by an Urban Council should be managed	Action should be taken in terms of the Ordinance.	Replies will be furnished later.

and the revenue earned thereon should be deployed and utilized for the activities under Urban Council Ordinance, action had not been taken to identify and manage 11 properties belonging to the Council.

(iii) Section 133

Despite that, not maintained a public water supply method and not recovered a water charge from dwellers, a sum of Rs.2,568,180 had been incurred per year at the rate of Rs.214,015 per month to the National Water Supply and Drainage Board for water posts.

Action should be taken in terms of the Ordinance.

The payments for bills for the public water posts, bathrooms of the authoritative area of the Kolonnawa Urban Council are been made on the approval of the Council. Now available only 17 and the Council will not be agreed to disconnect of those.

(b) Special Provisions on Local Authorities Act No.48 of 1971.

Without making a valuation on all immovable properties of the authoritative area of the Council once in 05 years, the rates and taxes had been recovered on the basis of an assessment made before 07 years.

Action should be taken in terms of the Act.

The revision of assessment is due to be carried out in this year. The percentage of assessment value from 6 per cent to 8 per cent for residential purpose and from 18 per cent to 20 per cent for commercial purposes had been revised in the year 2017 to avoid the

delay of the assessment.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

(i) Financial Regulations 104(1) and 104(2)

Necessary action had not been taken in respect of the accident caused to crew cab vehicle during the period 28-31 July 2017.

Action should be taken in terms of Financial Regulations.

Replies not furnished.

(ii) Financial Regulation 371(5)

An unsettled advance balance amounting to Rs.68,000 had remained brought forward continuously.

Action should be taken in terms of Financial Regulations.

An advance amount of Rs.25,000 had been settled on 08 February 2019 by the Receipt No.04604. It was informed to settle the advance of Rs.20,000 granted to pay lawyers fee in respect of the accidents caused in the year 2018.

(iii) Financial Regulation 571

Action had not been taken on 04 deposits older than 2 years totalling Rs.250,000 even though the deposits older than 02 years from the date of deposit should be identified / investigated and should be taken in to revenue.

Action should be taken in terms of the Financial Regulations.

Accepted. Necessary action will be taken to publish in a news paper advertisement in respect of deposits for Mangalapaya and the deposits for losses and damages of roads and take into account. The replies will be furnished later on in respect of the deposits for

revenue. Required action will be taken on the deposits of which to be taken to revenue subjected to an approval.

- (d) Circular No. LGD/13/2016 of the Department of Local Government dated 09 November 2016. The assessment of trade stall rent had not been made once in 3 years. Action should be taken in terms of Circulars.
- It was mentioned in the basic law that rent should be revised once in 6 years. The assessment remained at present was implemented from the year 2014. That assessment will be ended by the year 2019. As such a new assessment due to be carried out from the year 2020.
- (e) Urban Solid waste Management Rules 18(1) of Western Province No.01 of 2008. Action had not been taken by the Council to recover waste tax from 1060 houses and business institutions existed in the authoritative area of the Council to settle the expenditure incur to collect waste house to house in addition to paying taxes to the Local Authority. Action should be taken in terms of the respective rules.
- The Council was not preferred to recover a tax for waste. The proposal to recover a sum of Rs.10,000 with all taxes per 01 load of waste (tractor trailer) from the business community was passed in the council in August 2018. Accordingly, the business community had been informed in written on October 2018 and said money was recovered from November 2018.

02. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council as at 31 December 2018 amounted to Rs. 36,798,316 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.55,310,981.

2.2 Financial Control

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Current Account No.194100153792766 (People's Bank Kolonnawa)	Action should be taken to settle.	The Cheque amounting to Rs. 10,104 and No.⊘/31 462934 dated 17 October 1980 received from office of the Assistant Commissioner of Local Government was not realized and entered in the bank reconciliations up to now. A letter in this regard had been referred to the Assistance Commissioner of Local Government on 15 May 2019 and action will be taken in future on the instructions received. The approval of the Commissioner of Local Government will be obtained and action will be taken to rectify Rs.15,000 in future.

(b) Current Account
No.194100173792765
(People's Bank Kolonnawa)

A sum of Rs.172,721 (bank errors, cash transfers) brought forward from several years had been added to bank balance and prepared bank reconciliation statements and a sum of Rs.70,237 had been deducted from that balance. No evidence whatsoever had been made available for audit to confirm above adjustment and as such the bank reconciliation statements prepared was not in a accepted position.

Action should be taken to settle.

The value of Rs.89,921 identified as cash transfers and the money shown as over deposits amounting to Rs.69,405 out of Rs.70,237 shown as deductions had been settled at present. A sum of Rs.400 shown as over deposits also had been settled at present. Action will be taken to rectify other items as far as possible in future.

2.3 Revenue Administration

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

Information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and the preceding year appear below.

<u>Source of Revenue</u>	<u>2018</u>				<u>2017</u>			
	<u>Estimated Revenue</u>	<u>Billed Revenue</u>	<u>Collected Revenue</u>	<u>Total arrears as at 31 December</u>	<u>Estimated Revenue</u>	<u>Billed Revenue</u>	<u>Collected Revenue</u>	<u>Total arrears as at 31 December</u>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	75,000,000	80,095,023	76,544,002	30,471,237	74,620,000	83,379,116	75,566,342	43,887,616
(ii) Lease Rent	4,499,670	15,437,540	15,238,566	3,370,102	13,543,760	7,428,269	8,179,133	3,128,043
(iii) Licence Fees	300,000	1,499,515	1,499,515	43,450	850,150	462,250	462,250	43,450
(iv) Other Revenue	16,740,191	-	16,740,191	-	10,984,500	-	21,036,951	-
Total	96,539,861	97,032,078	110,022,274	33,884,789	99,998,410	91,269,635	105,244,676	47,059,109

2.3.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A sum of Rs.76,544,002 had been recovered during the year, out of Rs.123,982,639 recoverable including arrears of rates of the preceding year, billed rates and fines while the balance recoverable had been 38 per cent out of the total billed revenue of rates.	Action should be taken to recover arrears of revenue.	Necessary action will be taken to implement the programmes of restraining of properties from June 2019 and to recover arrears of rates.
(b) The value of arrears of rates and taxes recoverable as at 31 December 2018 from 56 properties of Government Sector and private sector which exceeded the arrears of balance of Rs.50,000 amounted to Rs.14,425,756. This arrears had been 47 per cent out of the total arrears remained as at that date. The Council had not taken action to recover this arrears of rated and taxes.	Action should be taken to recover arrears of revenue.	A sum of Rs.4,716,206 (It was 48 per cent as a percentage) had been recovered after issuing final notice, from the places of arrears of taxes existed. Action will be taken to recover taxes by restraining of properties.

2.3.3 House Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A lease rent revenue of Rs.231,250 had been received from 15 houses from January to December 2018. The arrears of lease rent recoverable further as at 30 November 2018 amounted to Rs.726,220.	Action should be taken to recover arrears of revenue.	Action was taken to recover a sum of Rs.112,580 out of the arrears of lease rent existed at present. Action will be taken to recover the balance of arrears.

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| <p>(b) The total arrears of lease rent recoverable as at 30 November 2018 from 02 houses due to non-payment of any amount out of the arrears of lease rent and current lease rent recoverable during the year 2018 from 08 houses situated in the Wellampitiya new housing complex amounted to Rs.254,400.</p> | <p>Action should be taken to recover arrears of revenue.</p> | <p>Action had been taken to recover a sum of Rs.70,580 out of the arrears of lease rent and action will be taken to recover balance of arrears and current year rent.</p> |
| <p>(c) The total recoverable amount to the Council from 02 houses which had not paid entire rent relating to the year and which paid a portion out of the arrears of rent as at 30 November 2018 amounted to Rs.168,420.</p> | <p>Action should be taken to recover arrears of revenue.</p> | <p>Action has been taken to recover a sum of 20,000 out of the arrears of lease rent and action will be taken to recover the balance of arrears and current year rent.</p> |

3. Operating Review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section (4) of the Urban Council Ordinance such as regularize and control over the matters of public health, public utility service and public roads and the control, facilities and well being of the people are given below.

(a) Activities Abandoned

Audit Observation	Value	Recommendation	Comments of the Accounting Officer
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Four activities of which estimated value amounting to Rs.1,610,146 had been abandoned without being commenced during the year under review and the preceding years.	Rs. 768,432	The works planned should be completed.	This work had been suspended due to public resistance.

(b) Delays of Execution of Activities

Audit Observation	Recommendation	Comments of the Accounting Officer
The delays of the execution of activities in respect of 03 construction works valued at Rs.1,102,143 were shown.	Should be planned accurately.	Due to delays of removing of unauthorized constructions the constructions works also delayed.

(c) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) In terms of the Circular No.LGD/03/2017 of the Commissioner of Local Government, it is compulsory for separation of waste 100 per cent. Nevertheless, the Council had disposed 7875 tons of waste to the Muthurajawela waste yard in the year 2018 and 3957 tons out of that were mixed waste.	Action should be taken in terms of the Circular.	Kolonnawa Urban Council had followed the method of separation of waste by the year 2019 and it was confirmed from the reports of the waste sent by the Muthurajawela waste yard.
(ii) According to the paragraph 18(1) of Urban Solid Waste Management Rules, a waste charge had not been recovered from the houses situated in the authoritative area of the Council.	Action should be taken in terms of the Circular.	The Council had not agreed to recover a separate amount of waste tax for collecting of waste. The members of the Council had stated that it could not be implemented due to the low income earned community was living.

(d) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
The Council had not aware the 2030 Agenda in respect of Sustainable Development Objectives.	Action should be taken according to the 2030 Agenda.	The training programme to absorb the Sustainable Development Goals for the plans of the Local Authorities had been held on 31.01.2019. As such, the

Sustainable Development objectives had been implemented by the Council from the year 2019.

3.2 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Vacancies and Excesses of Employees</p>	<p>The 2 posts of top management should be filled from the relevant services immediately.</p>	<p>The vacancies of the posts of Accountant and Administrative Officer as at 31 December 2019 had been informed to the Commissioner of Local Government through quarterly reports and other special instances.</p>
<p>(b) Staff Loans</p>		
<p>A sum of Rs.56,270,376 including Rs.2,432,744 and Rs.2,139,407 had to be recoverable from 26 officers transferred out and 57 officers vacated of posts and deceased respectively as at 31 December 2018.</p>	<p>Prompt action should be taken to recover staff loans recoverable.</p>	<p>Action has been taken to recover the loan balances of 11 officers who vacated of posts and deceased. The loan balances of 09 officers who vacated of posts are being recovered from the sureties as installments and action will be taken to recover the balance of loan amount in future.</p>

3.3 Assets Management

3.3.1 Not confirmed the Security of Assets

Audit Observation

Even though, the title deeds for 11 land blocks of 04 Acres 01 rood and 25.92 perches which owned by the Council were made available, action had not been taken to identify physically and to prepare plans and to protect them.

Recommendation

Action should be taken to protect the lands.

Comments of the Accounting Officer

The ownership of these properties had been with the Council in the past but it was not included in the fixed assets registers at present. These properties had been utilized under the various Governments for various activities. It is not required to administer this property as the ownership was not available in the Council.

3.3.2 Idle/ Underutilized Assets

Audit Observation

Two motor vehicles valued at Rs.3,706,365 were remained under utilized for over several years.

Recommendation

All assets should be utilized efficiently.

Comments of the Accounting Officer

Action will be taken to repair and to use the compactor and the tractor will be disposed as it was very old.

3.4 Identified Losses

Audit Observation

- (a) A loss amounting to Rs.281,361 was incurred to the Council due to purchase of goods by accepting second

Recommendation

Loss should be recovered from responsible parties.

Comments of the Accounting Officer

Replies not furnished.

lowest bid without purchasing from the supplier who offered the lowest bid in purchasing of tables, chairs for the Council newly appointed.

- (b) A loss amounting to Rs.84,000 was incurred by the Council due to purchases made from the supplier who offered second lowest bid without purchasing from the supplier who offered lowest bid in respect of purchasing of 600 mercury bulbs watt 125 osram in purchasing of electrical goods to the Council.

Loss should be recovered from responsible parties.

Replies not furnished.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation

Recommendation

Comments of the Accounting Officer

- (a) In terms of Guideline 4.2.1 (a) of the Government Procurement Guidelines a master procurement plan included the expected procurements at least for a period of 03 years had not been prepared.

Action should be taken in terms of the Procurement Guidelines.

As the lack of due understanding in respect of procurement plan preparing in the year 2018 the deficiencies were occurred. Action will be taken to obtain the instruction of audit and to rectify the lapses in the year 2019.

- (b) Even though the provisions of Rs.14,500,000 had been made in the Budget for land improvement, crematorium development, road repairs and constructions of drainage those were not included in the procurement plan for the year 2018.

Action should be taken in terms of the Procurement Guidelines.

As above reply.

4. Accountability and Good Governance

Internal Audit

Audit Observation

An adequate internal audit had not been carried out for the year 2018.

Recommendation

An adequate internal audit should be carried out.

Comments of the Accounting Officer

Accepted. The internal audit queries had not been furnished for the year 2018. Six Internal audit had been carried out for the year 2019 and 3 copies out of that had been furnished to audit.