

Dehiwala Mount Lavana Municipal Council – 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dehiwala Mount Lavana Municipal Council including the financial statements for the year ended 31 December 2021 Statement of assets and liabilities as at 31 December 2021, Income Comprehensive Statement, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 219 of the Municipal Councils Ordinance (Chapter 252). My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Dehiwala Mount Lavana Municipal Council as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2. Basis for Qualified Opinion

I expressed qualified opinion on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Municipal Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Municipal council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 **Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Municipal council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Municipal Council has complied with applicable written law, or other general or special directions issued by the governing body of the Municipal Council;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Municipal council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

- (a) The financial statements of the Municipal council presented is consistent with the preceding year as per the requirement of section 6(1)(d)(iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018.

1.6 Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation -----	Comments of the Council -----	Recommendation -----
(a) According to the Asset Management Circular No. 4/2018 dated 31 December 2018 of the Ministry of Finance and Mass Media, and as per the letter of the Local Government Assistant Commissioner dated 1 February 2021 and No. LGD/10A/4/N.A/2019 all fixed assets owned by the institution should be revaluated for at the time of submission of financial statements for the year 2020, but the Municipal Council had also not been revaluated the assets in the year 2021 .	This asset revalue will be done after appointing a committee related to asset revalued.	As per circular instructions, action should be taken to revaluation of fixed assets without delay.
(b) The balance carried forward from the previous year was accounted for under property, plant and equipment without been revaluating the value of machinery and equipment, timber and fixtures, office equipment and computer software. Also, land, buildings, roads and bridges, other infrastructure facilities etc. had not been accounted for under property, plant and equipment.	With the corona situation in the country and the quarantine curfew in effect for many months of 2021, it was not possible to do the revalue of these assets in the year 2021 and the assets will be revalued correctly and accounted for in the preparation of the accounts of the year 2022.	Land, buildings, roads and bridges, other infrastructure etc. should also be accurately accounted for under property, plant and equipment up to value.

- (C) According to clause 3.5 of the Sri Lanka Public Sector Accounting Standards and Local Government Commissioner's letter No. LGD/10A/4/N.G/2019 dated 12 February 2021, assets purchased regardless of the date of purchase are not depreciated and disposal in that year. It was stated that depreciation should be done for the entire year of the year. But contrary to that Rs.1,879,805 was accounted as depreciation for the year 2021 for purchases and depreciation for assets purchased in 2020 and earlier was not accounted for in the year under review.
- Accept the error in accounting for depreciation and accumulated depreciation in the year of purchase. It will be corrected and accounted for in the year 2022.
- Assets should not be depreciated in the year of purchase and should be accurately accounted for and depreciated for the entire year of disposal.
- (d) As at 31 December 2021, the value of property, plant and equipment was Rs.201,869,692 according to the statement of assets and liabilities, but according to Note No. 16, the net value of property, plant and equipment was Rs.681,718,519, which was Rs.479,848,827 shown less in the financial statements.
- This error has occurred due to wrong calculation of other value while computing. Accounts will be corrected in the year 2022.
- Property, plant and equipment should be accurately accounted for at their correct value.
- (e) Library books value at Rs.1,744,566 had been purchased during the year 2021 and the library books had not been accounted for under Fixed Assets with the value of the books purchased in previous years. As a result depreciation had not been calculated.
- Library books are currently not accounted under fixed assets and will be rectified and accounted for in the year 2022.
- Library books should be accounted for as an asset under property, plant and equipment.
- (f) Although according to the cash flow statement, the cash flow from investment activities was Rs.89,833,747, the actual cash flow from investment activities
- After correcting the changes that have occurred in the statement of assets and liabilities, the cash flow of Rs.89,833,747 in the cash
- Investing activities should be accurately accounted for and recorded in the cash flow statement.

was Rs.120,124,808, and as a flow statement can be result the cash flow from corrected. investment activities was understated by Rs.3,029,061.

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| (g) | Due to accounting without accurately recognition of payable party, payable amount and expenses heads while preparing accounts payable provision for financial statements, in the year under review credit of Rs.101,000,493 for creditor over-allocation and debit of Rs.171,504,093 for creditor under-allocation. | This mistake had been made by changing debit and credit notes during accounting. Accounts will be corrected in the year 2022. | In preparing the creditor provisions, the parties to be paid, the amount to be paid and the expense heading to be paid should be correctly identified and accounted for. |
| (h) | At the end of the year under review, according to the schedule, the outstanding balance was Rs.9,210,258, but according to the financial statements, the balance was Rs.477,134 and a difference of the receivable balance of Rs.8,733,124 was observed. | Accounting deficiencies will be considered and corrected in the year 2022. | The arrears of income should be accurately accounted for as per the schedule. |
| (i) | Although two projects had been approved to provide a capital grant of Rs.6,275,322 for the year under review, it was not mentioned as Capital Grant under Note 10 of the Comprehensive Revenue Statement and net assets in the statement of assets and liabilities. | -do- | Capital grants should be accurately accounted for. |
| (j) | Although Rs.763,394 and the amount of 10 per cent of the capital grant value of Rs.7,633,946 last year, should be shown under the income of the comprehensive income statement, it was shown as Rs.2,235,958 in the financial statements, so the surplus of the year was overstated by Rs.1,472,564. | -do- | The value relating to capital grants should be accurately accounted for. |

- (k) After adjusting the depreciation value under Note No. 5 from the capital grant value of the previous year, the remaining value of Rs.6,870,552 to be accounted for and the capital grant received in the year under review was Rs.6,275,322, totaling Rs.13,145,874 of had not been shown in unidentified capital grants under net assets in the statement of assets and liabilities. -do- The capital grant value as at the end of the year under review should be accurately calculated and accounted for.
- (l) Although Rs.4,745,520 had been received from the Local Government Department to reimburse the expenses incurred by the Council for the free cremation of the bodies of those who died under the condition of Corona, this amount had not shown under the income of the comprehensive income statement. As a result, the surplus for the year was stated by that value. The amount of Rs.4,745,520 had been debited to the deposit account and credited to the expenditure heads 2.9.431(iii) and 2.9.434. Action will be taken to account it under comprehensive income. Income received should be accurately accounted for.
- (m) Although Rs.782,696,000 had been reimbursed as employee salaries from the Local Government Department, the income was understated by Rs.37,053,825 due to shown as Rs.745,642,175 under the comprehensive income statement. According to the adjusted journal entries, the balance had been calculated as Rs.745,642,175 and will be re-examined and corrected in the year 2022. Reimbursement value should be accurately accounted for.
- (n) Stock of Ayurvedic medicines valued at Rs.2,449,030 had not been accounted for under stock. Ayurvedic stock valued at Rs.2,449,030 had not been accounted by a mistake and it will be accounted for under omissions in the year 2022. Stock should be accurately accounted for.

- (o) Although the debt value of Provincial Councils and Decentralized Projects was Rs.7,484,457, it was shown as Rs.10,031,968 in the financial statements, so the assets were shown more by Rs.2,547,511 in the accounts. Due to an error in the calculation, Rs.10,031,968 has been brought up in the accounts and it will be re-examined and corrected in the year 2022. The project debt value should be accurately accounted for.

1.6.2 Unreconciled Controls Accounts or Reports

----- Audit Observation -----	----- Comments of the Council -----	----- Recommendation -----
When reconciling balances relating to ten items between registers/reports with Financial Statements, it shows understatement of Rs.4,188,983 and overstatement of Rs.20,446,435 in the financial statements.	Not replied.	Action should be taken to reconcile the differences.

1.6.3 Lack of Necessary Documentary Evidence for Audit

----- Audit Observation -----	----- Comments of the Council -----	----- Recommendation -----
Confirmation of contract balances and schedules etc. evidences had not been submitted to audit relating to seven items of accounts aggregating Rs.1,114,684,584 and could not be to satisfactorily verified during the audit..	It is kindly inform these reports and schedules will be submitted during the preparation of final accounts 2022.	Necessary information had to be submitted to verify the balances.

1.7 Non-compliance

1.7.1 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	Comments of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(a) Financial Regulations 104(1) and (3)	If there was a delay of more than seven days in submitting a complete report regarding any damage, a preliminary report should be submitted, but the Council not taken action regarding the assessment tax financial misappropriation done in November 2019.	A formal disciplinary inquiry was being conducted into this financial fraud and the next session is scheduled for June 2022. All relevant reports will be submitted immediately after the completion of this disciplinary investigation.	The preliminary and complete reports are to be submitted promptly act in accordance with the Financial regulation
(b) Financial Regulations 486(b) & (2)	Twenty three cheques received from 2002 to 2021 had been dishonoured. But action had not been taken to recover the value or to debit relevant debtor account of those cheques.	Out of these 23 dishonoured cheques, 02 cheques amounting to Rs.32,250 had been recovered in the year 2022. Rs.30,000 from the remaining cheques are payments made for assessment, those accounts will be debited and journal entries will be made. Of these, 03 cheques of Rs.100,000 each	Action should be taken to recover the dishonoured cheques value.

paid for stalls rent had been directed to legal officers to take legal action. Action will be taken to recover the remaining dishonoured cheques in the future.

(c) Financial Regulations 880 and chapter 612 of the Government Officers' Bail Ordinance

Although the government officials who have to give Security deposit should give Security deposit , the revenue collection officers of the Municipal Council, the administratively responsible or authorized officers in charge of revenue stamps or belongings, the officers who certify vouchers and sign cheques had not been given such Security deposit .

In this regard, related activities will be done in the future.

Action should be taken to collect the Security deposit from the government officials who are to be deposit.

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 2021 amounted to Rs.136,192,585 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.24,003,920.

2.2 Revenue Administration

2.2.1 Revenue Collection Performance

Audit Observation	Comments of the Council	Recommendation
(a) Rates		
(i) Although the Rates billed for the year under review amounted to Rs.387,751,686, the Council had failed to recover Rs.130,730,105 which is 35 per cent. As well as arrears of rates as at previous year was Rs.430,797,789 and the Council had failed to recover Rs.348,306,737 which is 81 per cent.	Due to the development of the Corona pandemic, it was difficult to recover the billed income for the year 2021 and the outstanding assessment amount as at 31.12.2021. But as at 30.04.2022, an amount of Rs.56,812,222 had been recovered from both the balance of arrears as at 31.12.2020 and the balance of arrears as at 31.12.2021 as at 30.04.2022.	Action should be taken to recover the arrears income.
(ii) Ten cheques valued at Rs.792,430 had been dishonored for the payment of assessment tax and the assessment account had been debited without recovering any money for it.	The owners of the property had been notified in writing to pay the money back and recorded as an amount due in the relevant assessment accounts. Action will be made to recover the money in the future.	Action should be taken to collect the money for dishonored cheques.
(iii) As at 31 December 2021, there were about 86000 properties of which rates can be collected and out of which 43030 properties had an arrears of rates amounting to Rs.483,881,071. Action had not been recover amounting of Rs.207,733,077 arrears of rates from 654 units of rates over Rs.100,000.	Out of the amount of Rs.216,162,755 to be recovered, Rs.8,429,678 had been recovered by 30.04.2022. The unfavorable climate of the country which existed and is present in the country has always affected the collection of this arrears.	Action should be taken to recover arrears of income.

(iv)	The arrears of assessment and transmission tower income of Rs.6,454,787 due on 31 December 2021 from 34 properties where there are transmission towers and action had not been to recover.	The property owners had been informed in writing as well as through telephone messages to recover the arrears of the properties with the transmission towers, and in the future, action will be made to collect these arrears.	Action should be taken to recover arrears of income.
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(b) Garbage Tax

The Council had not entered into agreements with the places where the garbage are disposed, and it could not be able take legal action to collect the arrears of garbage tax. Also, due to the failure to collect the arrears of garbage tax as per the council decision No. 08(10)35 dated 18 November 2003 and the advice of the finance committee, the arrears of garbage tax revenue was Rs.12,249,021 as at 31 December 2021.	The revised waste disposed application was used for new registration entities. Orders have been given to pay the prescribed garbage charges related to the amount of load mentioned in this revised application and in case of default, legal action will be taken as per the Municipal Ordinance Act. Accordingly, in the future, related activities will be carried out to collect the outstanding fees of the new institutions registered under the new application. By at 19.05.2022, an income of Rs.4,956,677 has been collected from the outstanding garbage tax revenue as at 31.12.2021 to the municipality even during the Covid pandemic period. Necessary arrangements are being made to recover the remaining arrears of garbage fee revenue.	Action should be taken to recover the outstanding garbage tax.
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(c) Other Tax

Action had not been taken to recover the arrears of cable TV income of Rs 4,718,601 and arrears of advertisement boards of Rs.13,918,749 as at 31 December 2021.	The valid license of Lanka Broadband Institute has been canceled from 22.12.2016 and the said institute does not have the valid license issued by Sri Lanka	Should take action to recover the arrears balances.
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Telecommunication
Regulatory Commission.
The council's legal officers
have come to know about
the default when they are
taking legal action.

(d) **Stall Rent**

- (i) Although outstanding stalls rent balance of Rs.7,351,211 as at 01 December 2020, Council had failed to recover amounting of Rs.4,660,191 or 63 per cent even as at the end of the year. As well as billed revenue for the year under review was Rs.14,722,000 but the Council had failed to recover Rs.6,295,271 or 43 per cent during the year under review. Due to the bad situation in the country, it was difficult to make systematic payments to the tax payers. Rs.4,284,486 had been recovered from this deficit as at 29.05.2022. Action should be taken to collect the arrears.
- (ii) According to Section 19 of the rent agreement, if the rent is not paid on the due date and the rent is not paid continuously for a period of 03 months, the lease agreement shall be canceled and the lessee shall be evicted from the place and all losses and losses incurred by the council including arrears of rent shall be legally collected from the lessee but 128 rooms were not dealt with accordingly. By correcting the previous mistake, we are making sure that such mistake do not occur in the future and are collecting the arrears due and are working to re-contract. Action should be done according to the agreement.
- (iii) Twenty seven shop rooms where there were arrears of rent for a long time had been sealed and the arrears of rent to be collected from those shops was Rs.1,644,177. The arrears were to be collected as per the instructions of the legal officers. Action should be taken to recover the arrears.

(e) **Renting out of Property**

- Action had not been taken to recover rent of property arrears of Rs.6,516,799 as at 31 December 2021 from 17 properties. As at 29.05.2022, Rs.519,739 had been recovered from this arrears. The outstanding property rent will be recovered by solving the existing problems. Actions should be taken to recover the due balances immediately.

(f) Licence fees

- (i) According to the records, there are 1887 shops which are required to issue trade licenses for the year 2021, and 889 shops have been operating without obtaining licenses and not paying the license fee. Also, 20 business places that applied for trade licenses for the year 2021 had not paid and obtained the licenses, so the council had lost the license fee income due.
- Out of this number, 401 shops have obtained license. Its value was Rs.3,3465,857. As at 27.05.2022, 167 more shops have obtained license and the value was Rs.1,152,954. No trade license will be issued after 30.06.2022 and it is expected to take legal action for shops that had not obtained trade license in future.
- Annual trade license revenue should be collected and businesses that do not obtain licenses should be prosecuted.
- (ii) The outstanding industry and business tax balance as at 31 December 2021 was Rs.95,006,513 and arrears of trade license fees amount of Rs.5,424,142 had not been recovered during the year under review.
- Legal action was being taken against businessmen who had not paid taxes and trade licenses in 2021.
- Immediate action should be taken to recover the arrears.

(g) Court Fines

- (i) Although the value of court fines collected by the courts for the period from 2017 to 31 December 2021 was Rs.58,081,925 action had not been taken to recover during the year under review.
- Up to November 2017, Rs.5,516,750 had been received as court fines. From October 2017 to December 2018, court fine counterfoils were prepared and submitted to the Judicial Office Mount Lavinia for checking. From January to December 2019, court fines have been written and completed. Counterfoils are being prepared.
- Action should to be taken to collect court fines revenue.
- (ii) In accordance with the provisions of the Court Fines and Transfer of Fines Statute No. 04 of 1994, within 5 years from December 31 of the year in which the court fine was levied, requests must be submitted with documents certified by the Registrar of the court where the fine was levied or an officer
- In 2016, the collection of court fines had been irregular, but at present, the work of correcting the mistake and collecting court fines in an orderly manner is going on.
- Action should be taken to collect Court fines revenue annually

nominated by him. Arrangements should be made to collect court fines due to the council. But as the period for collecting Rs.38,058,207 fine income due before the year 2016 has expired according to the above statute, that amount was debited to the accumulated fund and removed from the accounts.

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| (iii) | During the year under review, the council did not receive any income from court fines and the comprehensive income statement showed an estimated value of Rs.12,000,000 as court fine income. Due to this, the surplus of the year had increased by the same amount every year. | From October 2017 and related to the year 2018, the court fine counterfoils have been prepared and handed over to the Mount Lavinia Court Office for checking, while the 2019 court fines have been written and the counterfoils were being prepared. | Action should be taken to collect the income due immediately. Attention to financial regulation 156. |
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2.3 Surcharges

Audit Observation -----	Comments of the Council -----	Recommendation -----
In terms of the provisions of the Municipal Councils Ordinance Rs.3,563,042 was to be recovered as at 31 December 2021, in respected of surcharges imposed by the Auditor General from the year 1974 to the year 2015 against the responsible parties.	The files had been forwarded to the Legal Department.	Action should be taken to recover the surcharge immediately

3. Operating Review

3.1 Identified Losses

Audit Observation -----	Comments of the Council -----	Recommendation -----
(a) 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 preliminary investigation had been conducted and the accused officials had been identified and the initial investigation file along with the draft charge sheets had been forwarded to the Local	Action should be taken to recover the money.

Government Commissioner (LG) for conducting a formal disciplinary investigation.

- (b) 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. A formal disciplinary investigation into this financial fraud was currently underway and the next session is scheduled to meet in June 2022. Disciplinary investigation should be conducted and measures should be taken to recover the loss.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Freedom of Information Act		
<p>A master information register had not maintained to record information requested by the public. Therefore, it was not possible to check for missing information requests, non-responses and rejections.</p>	<p>In case of request for an information, it is first referred to the Municipal Commissioner and then to the Deputy Municipal Commissioner. There, the respective department will prepare the answers and a copy of the reply letter signed by the head of the department will be sent to the Deputy Municipal Commissioner for follow-up. This master file was maintained under Deputy Municipal Commissioner.</p>	<p>All request for information should be documented in a master information document attached to the file.</p>

3.3 Operating Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Installation and Maintenance of Street Lights		
<p>(a) As the council had not maintained a street lamp register with a numbering system to identify the street lamp posts located in the council area, could</p>	<p>As there are no technical officers at the divisional level of the council to number the street lamp</p>	<p>A numbering system should be implemented to identify street lamp posts.</p>

not ascertain how much money the council spends on each street lamp post annually and how often bulbs and other accessories are installed.

posts and prepare a statistical register within the jurisdiction of the municipal council, tenders were called for the execution of these tasks from the private sector based on a decision of the council. As per the minimum price also additional cost of Rs.10,900,000 has to be incurred while tabling the reports of the Committee of Indications, it was rejected.

(b) **Trade Stall Rent**

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. No arrangements were made to renew the agreements.

Short coming in agreements are updating and taking action to come with the lessee. Who are not come for agreements.

Action should be taken to enter into agreements during the lease and to renew the agreements that have expired.

3.4 Idle or Underutilized Property, Plant and Equipment

Audit Observation -----	Comments of the Council -----	Recommendation -----
(a) Twenty seven shops, which had been closed and sealed for a long time, leased to action had not been taken to other lessees and had not been made to earn income.	It is not possible to tender because it is proposed to remove the central market in Dehiwala and build a new market. A decision on this was expected to be taken in the finance committee at 23 June 2022.	Action should be taken to earn income by renting shop rooms.
(b) There were twenty five shops constructed at Dehiwala Junction at a cost of Rs.25,751,793 and action had not been handed over to the lessees and not taken to collect the rent for the year under review.	Dehiwala Galle road, new market complex has constructed and given 10 stalls to 10 former leaseholders who paid continuous rents at Dehiwala daily market. But agreements of these lessees were later sent for the approval of the Governor for the two reasons that they did not agree to the Council's assessment and that the right to lease out there shops required	Action should be taken to collect the rent.

the approval of the Honorable Governor. A copy of the deed belonging to these shops has been requested as there were deficiencies. A deed was currently being prepared for that. (By Legal Department) Due to non-availability of electricity and water facilities here, the tenants defaulted on rent payments. But electricity facilities have been provided at present and supply of water facilities are in progress. As soon as the Governor's approval is received, the necessary documents for the rest of the shops will be prepared.

3.5 Asset Management

Audit Observation	Comments of the council	Recommendation
(i) Of the 73 land and building properties owned by the council, there were no necessary deeds or acquisition orders to confirm the ownership of 34 properties and 24 properties had not been measured.	All lands are to be measured and title certificates are to be obtained.	Action should be taken to measure the land and got title certificates.
(ii) 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.	Under the action plan, the land will be identified, a security fence will be built there and a name board will be installed stating that it belongs to the council. It is also expected to carry out the measurement work by Bim Saviya and get title certificates for the plots owned by the last council.	Necessary action related to unauthorized acquisitions should be taken promptly.
(iii) Although it has been stated that the public toilets of the land owned by the council, which is 4.19 perches of Rood 01, have been leased by the Ratmalana Divisional Secretary, there were no public toilets on that land and the Council had not received any income from the leasing of the land. It was also observed that an outside party was enjoying this land without permission.	In the property register held by the council, a plot of land (Rood 1 perches 4) was mentioned as the plot of land with public toilets in Galkissawatta. Its deed number is 393292. The Council has decided to deal with all the lands owned by the Council with unauthorized constructions in a formal manner (for all unauthorized constructions).	Necessary action related to illegal acquisitions should be taken promptly.

- (iv) 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 shortcomings in the agreements, the arrears of the property rent as at 31 December 2021 was amounted to Rs.4,768,561. It was unable to recover the lease rent from lessee. The contractual period had also ended on 31 May 2021.
- Only 25 perches owned by the Council have been leased for 30 years for the car park of the Mount Lavinia Hotel and this lease period has ended in 2021. The surveying of the land is done and lease agreements are being prepared for re-leasing.
- Action should be taken to collect the money.

3.6 Delays in Execution of Activities or Capital Works

Audit Observation -----	Comments of the council -----	Recommendation -----
(a) Rs.50,000,000 had been shown in the 2018 financial statements as the construction expenditure of the Indoor Stadium at the Pressure Stadium. But construction in these had not been completed even by 31 December 2021. The construction of Dehiwala public stadium and sports complex, which was started on 25 March 2014, could not be completed even after more than 6 years.	Central Consultancy Bureau was selected as the consultant for the engineering works for the construction of Fraser Stadium Indoor Stadium and tendered on 18.10.2019. Since the proposed company did not have sufficient qualifications to carry out this project, on the recommendation of the consulting company, the tender was called again on 2022.06.26 and the contract company was selected and the industry has started now. The project will be scheduled to be completed on 03.10.2022 as per the agreement.	Completion of projects should be done without delay.
(b) A sum of Rs.4,500,000 had been deposited at 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 2021.	A section was in favor of giving free land and the other section was against it. It has been decided to proceed under sub-section 38 (a) of land acquisition to acquire the land of the objectors. Accordingly, according to the valuation report obtained from the valuation department, an amount of Rs.4,500,000 has been requested to be allocate for acquisitions.	Needs should be properly identified and only essential projects should be implemented.

3.7 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
----- According to Finance Regulation 501(d), no loss was expected from the advance accounts in connection with loans given to government officials and the entire amount should be recovered as per the conditions set in granting the authority for loan payments, but as at 30 December 2021, the loan balance of Rs.5,275,635 had not been recovered by the Council.	----- In the year 2022, necessary arrangements will be made to collect the amount of loan balances above Rs.10,000 and write off the loan balances below Rs.10,000 from the books.	----- Action should be taken to recover the loan balance.

4. Accountability and Good Governance

4.1 Presentation of financial statements

Audit Observation	Comments of the Council	Recommendation
----- As per the Extraordinary Gazette No. 2155/6 and Section 08 of dated 24 December 2019, Preparation of financial statements as per Sri Lanka Public Sector Accounting Standards for Local Authorities should be submitted to the Auditor General on or before 28 February of the following fiscal year, but Dehiwala Mount Lavinia the Municipal Council's financial statements had been submitted on 28 March 2022, with a delay of one month.	----- With the Corona epidemic situation in the year 2021, there was a lack of attendance of officials in the office. Therefore, this situation has arisen due to the delay in collecting the account information as scheduled and that we will ensure that the accounts are submitted on the correct date in the future.	----- Financial statements should be submitted properly prepared by the due date.

4.2 Action Plan

Audit Observation

According to the 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.

Comments of the Council

An action plan had been prepared for the year 2021 and was currently being prepared for the year 2022.

Recommendation

The action plan should be prepared and approval should be taken before the start of the year.