Kalutara Municipal Council - 2024

The audit of the Operational affairs of the Kalutara Municipal Council for the year ended 31 December 2024 was carried out 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 the Municipal Councils Ordinance (Chapter 252) and the provisions of the National Audit Act No 19 of 2018. My comments and observations which I consider should be report to parliament in accordance with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

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

As per section 16(1) of the National Audit Act, No. 19 of 2018, every audited entity shall maintain proper books and records of its income, expenditure, assets and liabilities to enable annual and periodic financial statements. As per Section 16(2) of the said Act, the annual financial statements in respect of every audited entity shall be submitted to the Auditor General by the Accounting Officer together with the annual performance reports of that entity within such period as may be prescribed by the rules. In accordance with Section 38(1)(c) of the said Act, the Accounting Officer shall ensure that annual reports and other financial statements are prepared within the required time frame and, in addition, shall ensure that the annual reports relating to the entity being audited are presented to Parliament

1.3 Establishment of the Kalutara Municipal Council and submission of financial statements

By the Extraordinary Gazette No. 2296/05 dated 06 September 2022, the Minister in charge of Local Government and Provincial Councils dissolved the Kalutara Urban Council with effect from 19 March 2023 and established the Kalutara Municipal Council with effect from 20 March 2023, specifying that date as the date on which the term of office of the members would commence. However, even though the required number of members had not been elected in accordance with Section 09 of the Municipal Councils Ordinance, the Council should be deemed to have been established on that date. However, the financial statements should have been prepared and submitted by the Municipal Council for the years ended 31 December 2023 and 31 December 2024 had not been submitted for audit as at the date of this report.

1.4 Non-compliance with laws, rules, regulations and management decisions

The cases of non-compliance with laws, rules, regulations and management decisions are shown below.

	Reference to laws, rules, regulations and management decisions	Non-compliance	Comment of the Sabha	Recommendation
(a)	Public Administration Circular No. 18/2001 dated 22 August 2001	24 officers with over 6 years of service were in employment at the sabha, including 3 officers who had served for more than 20 years as at 31 December of the year under review.	Details of officers whose service period exceeded 05 years have been forwarded to the Department of Local Government every year.	Action should be taken in accordance with circular.

(b)	Order No. 398 of the Extraordinary Gazette No. 2155/6 dated 24 December 2019	the bid value of the current year had been determined by adding 10 percent to the bid amount of the previous year without basing it on a valuation report of a chartered valuer.	The valuation has been done for the year 2025.	That Action should be taken as per the referenced Gazette Notification.

2. Financial Review

2.1 Revenue administration

2.1.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information presented by the Municipal Commissioner , estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows

		2024				2023			
	Source of Revenue	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
(i)	Rates and Taxes	49,150,100	51,037,527	54,491,959	22,172,132	45,053,000	44,351,384	45,067,646	25,626,565
(ii)	Rent	11,074,000	18,064,763	13,110,897	5,939,887	19,573,000	18,459,412	14,246,474	985,922
(iii)	License Fees	1,245,000	6,217,385	6,217,385	-	3,027,000	3,045,923	3,045,923	-
(iv)	Other Revenue	43,460,100	34,408,515	34,408,515	-	227,348,000	238,901,262	164,384,647	83,288,094
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		104,929,200	109,728,190	108,228,756	28,112,019	295,001,000	304,757,981	226,744,690	109,900,581
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2.1.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Council are given below.

	Audit Observation	Comment of the sabha	Recommendation
(a)	**Rates and Taxes**		
(i)	The Council had not analysed the initial rates arrears and identified the irrecoverable balances and prohibited the properties in a timely manner.	It is proposed to write off the value of the irrecoverable properties by Rs. 1,167,240 and one property has been prohibited.	All the irrecoverable balances should be identified and appropriate action should be taken.
(ii)	During the establishment of the Kalutara Municipal Council, the revenue zones that belonged to the Kalutara Pradeshiya Sabha were transferred to the Municipal Council.	That steps will be taken to rectify the matter in the future.	The arrears should be collected before collecting the

	Accordingly, as of 1 April 2023 the arrears due from the revenue zones belonging to the Kalutara Pradeshiya Sabha amounted to Rs. 3,474,709. However, the Council collected the current year's revenue from these units without collecting the arrears and the number of units and their values were not submitted for audit.		assessment tax.
(iii)	The annual billing of the entertainment tax was Rs. 2,407,736 and Rs. 567,030 or 23 percent of it had not been collected during the year.	That Rs. 481,526 had been collected as of June 30, 2025.	Steps should be taken to collect the arrears.
(iv)	Action had not been taken in accordance with Financial Regulations 104 and 156 regarding not collecting entertainment tax 20 percent of the value of the tickets sold for the musical concert held at the Kalutara South Public Stadium from 27 December 2023 to 01 January 2024 by the end of the year under review.	Since there was no response from the said institution, the retention fee of Rs. 100,000 was taken as the revenue of the Council.	Action should be taken in accordance with the Financial Regulation referred to.
(b)	**Rent**		
(i)	The annual billing of the commercial premises was Rs. 17,193,420 and Rs. 5,447,426 or 31 percent of had not been collected during the year. That	Rs. 1,511,801 has been collected as on 30th June 2025 and further action will be taken.	Action should be taken to recover the arrears of revenue expeditiously
(ii)	Out of the lease rent arrears of Rs. 251,012 at the beginning of the year under review, Rs. 233,712 or 93 percent had not been collected during the year and Rs. 109,100 or 80 percent of the advance billing of Rs. 136,200 had not been collected during the year.	Rs. 92,300 has been collected from the arrears and further action will be taken.	Action should be taken to recover the arrears of revenue expeditiously.
(iii)	The loss of nearly Rs. 21,000,000 to the council fund due to non-billing of shop rent	The amount has not been collected as per Decision No. 43	Action should be taken in accordance with the

	in the super shopping complex from the year 2021 to the year 2023 had not been taken in accordance with Financial Regulations 104 and 156 in the year under review.	of the Council Meeting Minutes dated 12th January 2023.	Financial Regulations referred to.
(iv)	The council had not taken action in accordance with Section 254 of the Municipal Council Ordinance against the lessees in relation to non-payment of shop rent for the year under review in relation to 96 shops in the super shopping complex.	76 shops have been sealed.	Action should be taken in accordance with the Municipal Council Ordinance referred to
(v)	The total arrears of rent from the year 2022 relating to the lease of 06 perches of land located at Nos. 13/1 and 25/1 Gangabada Road, Kalutara South, owned by the Council, amounting to Rs. 89,600 and Rs. 109,200 respectively, had not been collected by the end of the year under review.	steps are being taken to collect the arrears.	That steps should be taken to collect the arrears promptly.
(vi)	The total arrears of rent from the year 2022 relating to the lease of 07 perches of land located at Sarananda Mawatha, Kalutara South, amounting to Rs. 96,000 had not been collected by the end of the year under review.	That Rs. 40,000 has been collected as of June 30, 2025 and steps are being taken to collect the balance.	-Do-

3. Operational Review

3.1 Performance

The following are the observations made regarding the performance of the duties of the Council under Section 4 of the Municipal Council Ordinance, including the regularization and control of matters relating to public health, public utilities and public roads, and the enjoyment, convenience and welfare of the people.

Audit Observation	Comment of the sabha	Recommendation
Under Section 272 of the Municipal Council Ordinance, By-laws have been issued to implement 32 key matters. However, the Council had failed to issue By-laws for 27 of these matters as at 31 December 2024.	New by-laws will be enacted after the Provincial Council becomes operational.	Action should be taken in accordance with the Municipal Council Ordinance.

3.2 Identified Losses

	Audit Observation	Comment of the sabha	Recommendation
(a)	07 computer software systems installed since December 2017 at cost of Rs. 3,895,000 were not operational at the end of the year under review. The Council had not taken any action as per Financial Regulations 104 and 156 against the financial loss occurred due to systems were purchased without proper feasibility studies and were not utilized to their expected efficiency for almost 07 years.	A special investigation will be conducted on this matter	Action should be taken as per Financial Regulations.
(b)	A total of Rs. 43,395 had been paid as fines for 04 vehicles due to non-renewal of vehicle revenue license fees since year 2010.	The delay was due to practical reasons.	The revenue licenses were renewed on the due dates.
(c)	Four land plots owned by the Council (two plots of 6 perches, one plot of 7 perches, and one plot of 2.66 perches) were leased to four external parties for residential construction with disadvantageous conditions included in the lease agreements. Annual lease rents were not properly assessed or collected, and no legal action was taken against those defaulting on payments, resulting in a total financial loss of Rs. 361,800 to the Council, no action had been taken against the responsible parties in accordance with Financial Regulations 104 and 156 at the end of the year under review.	Action will be taken to renew the agreements.	-Do-

3.3 Management inefficiencies

	Audit Observation	Comment of the sabha	Recommendation
(a)	The Council had not maintained the records containing the requests of the officers and relevant details required to verify whether the Council had acted in accordance with the significant parameters in allocating government houses to officers under Section 4 of Chapter xix, of the Establishments Code.	Record would be maintained from the year 2025.	Action should be taken in accordance with the provisions of the Establishments Code.
(b)	An institution that had not properly repaired the vehicles of the Council in previous years should have been registered as a supplier for the year under review.	That it had not been registered in the year 2025.	An institution that should have been registered as a supplier should not have been registered again.

3.4 Operational inefficiencies

	Audit Observation	Comment of the sabha	Recommendation
(a)	Action had not been taken to renew the lease agreements for 64 shops in a timely manner and to take over 08 shops that Council does not have the files and tender it in the year under review.	action is being taken to renew the agreements	Being a Municipal Council, action should be taken to renew the lease agreements
(b)	Although the lease agreement of the land measuring 2.66 perches at the Katukurunda Road, Church Road had expired in the year 2011, the Council had not taken action in accordance with Section 266 of the Municipal Council Ordinance against the old lessee remaining without renewing it and without paying the arrears of rent of Rs. 67,000. Also, no action had been taken against the officers responsible for the non-billing of this property according to the council's lease register since the year 2018 as per Financial Regulations 104 and 156 by the end of the year under review.	The lessee has not billed due to non-payment, and that legal action will be taken in the future.	Action should be taken as per Financial Regulations.

(c)	Although the assessed property should be assessed once every 5 years as per paragraph 02 of the Local Government Commissioner's Circular No. 1988/22 dated 17 May 1988, the assessment income remained at a low level as the council did not conduct an assessment after the year 2017.	That the assessment revision work has been initiated in the year 2025.	The property should be assessed and the assessment should be collected

3.5 Idle or underutilized property, plant and equipment

	Audit Observation	Comment of the sabha	Recommendation
(a)	The two-storey building of the supermarket complex constructed in the year 2020 at a cost of Rs. 240,966,501 remained idle from the year of construction to the year under review and the ceiling of the upper floor was damaged in places.	That the upper floor has now been renovated and the shops have been given on a lease basis.	Efficient efforts should be made to generate income from the assets of the Council.
(b)	The two-storey building constructed in the year 2019 at a cost of Rs. 14,460,000 for a fitness center remained idle in the year under review as well.	It will be used for the office functions of the Assessing Officers from the year 2025.	-Do-
(c)	The himidiriya Crematorium, which was renovated at a total cost of Rs. 6,613,306 in the years 2023 and 2024, remained unused as at 31 December, 2024.	No bodies were received for cremation.	Action should be taken to utilize the assets owned by the Council.

3.6 Asset Management

	Audit Observation	Comment of the sabha	Recommendation
(a)	Although the Mechanical Engineer had recommended the repair of 03 tractors in the year 2021, the repair work had not been carried out by the end of the year under review.	committee has been appointed to obtain a report by now.	The vehicles should be repaired and utilized.

(b)	The fire engine had not been in operated since April 2023 and had not been repaired by the end of the year under review.	Action is being taken to repair it.	The vehicles should be repaired and utilized
(c)	Although the Council had leased 1.3 perches of land on Katukurunda Galle Road, Kalutara in 1994, the Council had failed to produce documents proving that the Council was the legal owner of the land for the case being heard regarding the ownership of this land.	The lessee has been informed to transfer the null possession to the Council.	The property owned by the Council should be leased out properly

3.7 Procument Management

	Audit Observation	Comment of the sabha	Recommendation
(a)	According to Procurement Guideline 4.2.2(a), a procurement time table detailing the steps of each procurement action from the time of commencement to completion of each procurement process. However, for the procurement of electrical equipment and road construction materials valued at Rs. 20,376,515, no such schedule was prepared.	Time table was not prepared since there was no quantitative procurement	The provisions of the National Procurement Guidelines should be followed.
(b)	According to Procurement Guideline 4.3.1(a), all related expenses should be considered when preparing the total cost estimates. However in the procurement of electrical equipment 200 LED bulbs and 12 switch boxes valued at Rs. 535,320, these costs had not been included in the cost estimate.	12 switch boxes were obtained as per the requirement.	-Do-
(c)	According to Procurement Guideline 8.9.1(b), 06 cases were observed where a formal contract agreement was not signed for the purchase of goods with a contract value exceeding Rs. 500,000.	Contracts were not signed due to a delay.	The provisions of the National Procurement Guidelines should be followed.
(d)	According to Procurement Guideline 2.6.1(a)(ii) and (iv), it had been observed two procurements of electrical equipment and two	Relevant work is currently being carried out by a Goods Acceptance	-Do-

	procurements of road construction materials amounted to Rs. 5,351,652 without review and approval of specifications and review and approval of bid documents by the Technical Evaluation Committee during the year under review.	Committee.	

3.8 Deficiencies in Contract Administration

	Audit Observation	Comment of the sabha	Recommendation
(a)	The project to constructing drainage system near the Kaluganwila Stadium with a contractual value of Rs. 2,000,000 had been assigned to community-based organization without entering contract agreement according to chairman's directive in the year 2022 was not completed within that year. Subsequently in 2023 the same project was again handed over to the same community-based organization for completion without verifying the entity's eligibility in accordance with paragraph 2.1 of the State Finance Circular No. 01/2021 dated 24 September 2021.	Divisional Secretariat had recommended the community-based organizations in the year 2022.	The eligibility of the society should also be examined in the year 2024.
(b)	The Council fund had been incurred a financial loss amounted to Rs. 349,758 due to the use of the same estimate of 2022 without revising the estimates as per the Schedule of Road Tolls (HSR) when the re-award of the above project.	The estimates were not revised since this project was carried out based on the original agreements..	Action should be taken to revise the estimates

3.9 Vehicle Utilization

	Audit Observation	Comment of the sabha	Recommendation
(a)	Although it had been stated that the repair of the Solex water bowser, the bowser with the Sachsen pump and the Nissan	Further action would be taken after consulting the Commissioner of Motor	Appropriate action should be taken regarding old vehicles and the

	fire truck was not economically viable as per the recommendations of the Mechanical Engineer dated 02 March 2021, no action had been taken regarding those vehicles as at the end of the year 2024 and those 03 vehicles had not been registered in the name of the Council.	Transport.	Commissioner of Motor Transport should be consulted regarding unregistered vehicles
(b)	Two tractors recommended for disposal in the assessment report dated 16 October 2022 had not been disposed of by the end of the year 2024 due to the absence of number plates.	Requests have been made to cancel the registration.	The Commissioner of Motor Transport should be consulted and appropriate action should be taken.
(c)	Although a tractor trailer and a tractor had been identified for disposal since 2021, no action had been taken for it even by the end of 2024.	Further action would be taken immediately.	The misuse should be done promptly.
(d)	At the time of issuing fuel to vehicles, it had been observed that 09 instances of issuing fuel for 08 vehicles totaling 12,527 liters were issued without recording the mileage value in the fuel issuance register.	Mileage meters should be repaired.	Internal control over fuel issuance should be strengthened.

4. Accountability and good governance

Internal Audit

Audit Observation	Comment of the Sabha	Recommendation
Although Section 40 of the National Audit Act No. 19 of 2018 and Section 133(1) of the Act state that internal audit should be implemented as a process that supports the improvement of the operational processes of the institution	It will be corrected in the future.	Action should be taken in accordance with referred Act and financial regulation.

and its performance, the Council's internal audit had not conducted adequate audits and issued internal audit inquiries on subjects such as land subdivision certifications, assessments and collection of shop rents, vehicle utilization, procurement, etc.