

Ja – Ela Urban Council

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 29 March 2012 and the financial statements for the preceding year had been presented on 04 April 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 30 November 2012.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Ja - Ela Urban Council had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Ja – Ela Urban Council as at 31 December 2011 and the financial results of its operations and cash flow statements for the year than ended.

1.3 Comments on Financial Statements

1.3.1 Lack of Evidence for Audit

(a) Unanswered Audit queries

Replies to 16 audit queries had not been furnished by 31 December 2011. The value of quantifiable transactions relating to the audit queries amounted to Rs. 4,203,069.

(b) Non – submission of Information to Audit

Transactions totaling Rs. 35,594,866 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Council for the year ended 31 December 2011 amounted to Rs.183,700 as against the excess of revenue over recurrent expenditure amounting to Rs. 2,614,044 for the preceding year.

2.2 Financial Control

The following short-comings / deficiencies in financial control were observed.

- (a) A credit balance of Rs. 257,500 relating to the current account at the Peoples Bank had been brought forward in the Bank Reconciliation Statement for over one year and action had not been taken to identify it and brought to accounts.
- (b) The balance of cash in hand amounting to Rs. 25,663 had been retained in hand through out the year without being deposited in the bank
- (c) Although the balance of the current account at the Peoples Bank was Rs. 5,866,596 it had been shown in the accounts as Rs. 5,892,258
- (d) The balance of Rs. 58,029 in the current account of the Bank of Ceylon had been idling since April 2011.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
-----	-----	-----	-----
	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	13,955	13,565	17,346
(ii) Lease Rent	7,204	6,982	(755)
(iii) Licence Fees	348	286	121
(iv) Other Revenue	23,561	18,755	2,900

2.3.2 Court Fines and Stamp Fees

Stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2011 amounted to Rs. 471,755

2.4 Current Assets Remained Unchanged

Loan balances due from 26 employees amounting to Rs. 210,537 had been brought forward for over 02 years. Action had not been taken to recover outstanding electricity charges amounting to Rs. 1,110,620 rest house charges amounting to Rs. 216,659 and entertainment tax amounting to Rs. 4,916,354 brought forward since 1986.

2.5 Human Resources Management

- (a) The approval of the Commissioner of Local Government had not been obtained for the recruitment of 11 employees during the year under review.
- (b) The approval had been given to obtain the service of the Technical Officer (Retired) for one year or until an officer is appointed to that post. Although an officer had been appointed to the post in September 2011, the retired officer also had been employed.
- (c) 19 employees had been recruited to various posts in excess of the approved cadre and salaries had been paid to them.

2.6 Operating / Management Inefficiencies

2.6.1 Repairs to Vehicles

A sum of Rs. 103,700 had been paid in respect of repairs to tractors bearing No. 49-3723, No. 37-6692 and No. RA-2087. The following matters were observed in this connection.

- (a) There were no estimates for the repairs to vehicles and recommendations of a Mechanical Engineer had not been obtained for the relevant repairs.
- (b) Quotations had not been called for in respect of these repairs and no agreements had been entered into.
- (c) Although a sum of Rs. 91,425 had been paid for spare parts, the spare parts removed had not been handed over to the stores.
- (d) The Mechanical Engineer had given approval to pay for the repairs without mentioning about the spare parts fixed.

2.6.2 Payment of Outstanding Water Bills

A separate water metre had not been fixed for the shopping complex and a sum of Rs. 104,244 had been paid of the Urban Council funds in respect of outstanding water charges.

2.6.3 Underutilization of Funds

- (i) According to the letter No. LGD/95/4/ඔ.ප.ප dated 09 March 1995 of the Commissioner of Local Government Western Province, the approval of the Commissioner should be obtained to withdraw fixed deposits. Nevertheless, 02 fixed deposits of Rs. 4,160,170 and Rs. 4,553,053 respectively had been withdrawn on 23 September 2010 and on 07 July 2011 without the approval of the Commissioner of Local Government, for the construction of the maternity clinic and the crematorium. The title deed or vesting orders had not been obtained to

support the ownership of the Sabha for the land on which the crematorium is proposed to build.

- (ii) The approval of the Assistant Commissioner of Local Government had been sought on 28 June 2011 to obtain a loan keeping fixed deposits as a surety in order to pay for the works completed exceeding the provisions made in 2010 for construction of roads and to pay retention money. The Commissioner of Local Government had instructed to make payments for the relevant works from the provisions for the year 2011. But, contravening the above directives, a loan of Rs. 8,000,000 had been obtained on 22 July 2011 keeping fixed deposits as a surety.
- (iii) Out of the loan amounting to Rs. 9,513,223 obtained keeping fixed deposits as surety, an expenditure of Rs. 3,373,722 had been incurred as at end of the year under review. Accordingly, only 35% of the loan had been utilized.

2.7 Solid Waste Management

The following matters were observed

- (i) The Urban Council collects and dispose of the solid waste. But, the waste collected had been dumped to a land near suduwella marshy land owned by the Council without sorting out the solid waste separately or according to any standard.
- (ii) The employees engaged in disposal of solid waste had been provided only with gloves instead of providing proper health care equipment.
- (iii) Production of compost, recycling or any other way had not been followed as a method of disposal of solid waste.

2.8 Apparent Irregular Transactions

Distress loans amounting to Rs. 1,060,700 had been paid fraudulently in the names of 06 employees during the year under review. The employees shown in the payment records had not applied for loans and the loan applications and documents had been forged. Three female officers who had submitted the said loan applications had obtained the total amount of loans fraudulently.

2.9 Action Plan

- (a) Four projects of which the estimated cost was Rs. 80,631,500 included in the action plan had not been implemented.
- (b) Although it had been proposed to implement 12 development schemes, action had not been taken to make financial provisions for the schemes.

3. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Internal Audit
- (c) Revenue Administration.
- (d) Control over Contracts