

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 on 31 March 2013 and the financial statements for the preceding year had been presented on 29 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 25 October 2013.

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 2012 and except for the effects on the financial statements of the matters referred to in my report, I am of opinion that 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 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 **Comments on Financial Statements**

1.3.1 **Accounting Deficiencies**

The following observations are made.

- (a) Key-money amounting to Rs.800,000 received during the year under review had been credited to stall rent in arrears account instead of crediting to the key-money receivable account.
- (b) Charges receivable on rent of commercial premises amounted to Rs.223,459 and it had been shown in the financial statements as a credit balance of Rs.777,140.
- (c) General Market rent receivable amounted to Rs. 1,576,898 and it had been shown in the financial statements as a credit balance of Rs.329,121.

1.3.2 Lack of Evidence for Audit

(a) Un-answered Audit Queries

Replies to 19 audit queries had not been furnished as at 31 June 2013.

(b) Non-submission of Information to Audit

Transactions totaling Rs.76,100,915 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1.3.3 Un reconciled Control Accounts

The total of the balances relating to 07 items of accounts shown in the financial statements amounted to Rs.42,828,903 where as the total of the balances according to the relevant subsidiary registers and records amounted to Rs.43,309,115.

2. Financial and Operating 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 2012 amounted to Rs.122,457 as against the excess of recurrent expenditure over revenue amounting to Rs.183,700 for the preceding year.

2.2 Bank Accounts

(a) An amount of over Rs. 04 million had been retained daily in a current account of the Peoples Bank through out the year and action had not been taken to invest the money in fixed deposits in order to earn an interest.

(b) A balance of Rs.580,530 had been idling in a current account of the Bank of Ceylon 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 relating to the year under review as presented by the Chairman is shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	14,455	13,891	16,274
(ii)	Lease Rent	11,605	8,785	(777)
(iii)	Licence Fees	376	337	121
(iv)	Other Revenue	29,012	15,292	2,763

The following observations are made.

- (a) It is observed that rates had been decreased by 4% lease rent by 24%, licence fees by 10% and other revenue by 47% during the year under review when compared with the estimated value.
- (b) Although the lease rent receivable amounted to Rs.223,459 it had been shown in the accounts as a credit balance of Rs.777,000.

2.3.2 **Rates and Taxes**

The progress of collection of rates and taxes in arrears by the Distraing Officers was very low. Action had not been taken in terms of Section 170(2) of the Urban Council Ordinance (Chapter 255) to recover rates and taxes in arrears.

2.3.3 **Collection of Revenue from Business Tax**

A proper procedure had not been implemented to distribute applications for business tax for the year 2012 and to re – collect those applications. Although the applications had been distributed by Revenue Inspectors, no written evidence had been maintained on the number of applications distributed and collection of those applications for the year 2012.

2.3.4 **Trade Licence Fees**

Income received from licence only had been recorded in the Trade Licence Registers for the year 2012 and the licence fees receivable had not been recorded. Action had not been taken to identify the business locations within the area of authority of the Council that should obtain trade licence and the business locations which had not obtained trade licence.

2.4 **Apperent Irregularities**

Three officers of the Council had prepared false documents and had obtained distress loans amounting to Rs.1,060,700 in the names of 06 employees.

These loans had been re – paid after the audit examination carried out in this regard and the relevant interest had not been recovered. Further, a formal inquiry had not been conducted and appropriate action had not been taken in respect of these 03 officers and 02 of the said officers had gone on transfer.

2.5 **Solid Waste Management**

The Commissioner of Local Government (Western Province) by his letter No.LGD/05/08/පොදු/වෙළුම dated 21 December 2010 had informed that all the Local Authorities should implement the Solid Waste Management Rules No.01-2008 published in the gazette No.1560/6 dated 30 July 2008. Nevertheless, the Council had not implemented those rules. Revenue on this had not been estimated for the year under review and an expenditure of Rs.10,797,000 had been estimated. Therefore, the Council had deprived of revenue that should have been received, as shown below.

- (a) Charges mentioned in Schedule 1 to cover the door-to-door waste collection expenses in addition to the rates and taxes paid to the Local Authority had not been collected by the Council in terms of Rule No.18(1).
- (b) Charges based on the quantity of waste as mentioned in Schedule 03 had not been collected by the council in terms of Rule No.09.
- (c) The charges for collection of construction related debris had not been collected in terms of Rule No. 20.
- (d) Location fines had not been recovered in terms of Rule No.21.
- (e) 20% of the income from solid waste had not been credited to the Waste Management Authority Fund in terms of Rule No.22.
- (f) The Drivers who transport waste had not maintained records in this regard and submitted to the Secretary in terms of Rule No. 54.

2.6 **Performance**

According to the action plan submitted to audit, the following matters were observed in respect of the performance of the Council.

The following activities expected to be carry out according to the action plan had not been done.

- (i) Completion of balance work and peopalization of the Maternity Clinic Building, of which the construction has been started in the premises of Ja-ela Municipal Council.
- (ii) Construction of the retaining wall for Uruwal-oya.
- (iii) Awarding of memorials and gifts to the Chairmen and Members and the Staff of the Urban Council from the inception that are alive on the occasion of the 70th anniversary of the Urban Council and establishment of an Information Centre.
- (iv) The second Pivithuru Pura Programme had not been implemented in the Weligampitiya Grama Niladari Division.

2.7 **Corporate Plan**

A corporate plan for a period not less than 05 years had not been prepared in terms of Paragraph 05 of the Treasury Circular No. PED/12 dated 02 June 2003 with a view to achive the vision and the mission of the institution.

2.8 **Internal Audit**

An adequate internal audit had not been carried out within the institution.

3. **Systems and Controls**

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

- (a) Accounting
- (b) Revenue Administration
- (c) Internal Audit
- (d) Solid Waste Management.