

**Ja Ela Pradeshiya Sabha**

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**Gampaha District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

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The financial statements for the year 2017 had been presented for audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Secretary on 25 September 2018.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Ja Ela Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

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The following accounting deficiencies were observed.

- (a) The value added tax of Rs.82,500 of the Brailing Machine costing Rs.550,000 donated by the Department of Local Government had also been included in the accounts resulting in an overstatement of the Machine and Machinery Accounts by a similar amount.
- (b) A motor pump valued at Rs.32,000 and 02 printers valued at Rs.215,200 purchased during the year under review had not been capitalized.
- (c) A cheque for Rs.71,000 had been received from a private institution for advertisement boards. Subsequently, the cheque had been dishonoured for not rendering the respective service. Although it was confirmed on 10 November 2017 that this money cannot be recovered, it had been shown as debtors in the accounts.
- (d) The stamp fees for Rs.5,691,254 received from the Land Registry, Negombo on 15 February 2017 had been entered in the accounts as receipt of reimbursement of salaries and as such the revenue from stamp fees had been understated by a similar amount.
- (e) The arrears of revenue from rates of Rs.193,057 of the Kandana sub office had been written off and had been entered in the accounts as discounts allowed.

### 1.3.2 Unreconciled Accounts

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Stocks for Rs.21,798,560 purchased for the stores during the year under review had been entered in the General Stores Account. However, the amount concerned as per receipts orders amounted to Rs.24,514,290 showing a difference of Rs.2,715,730.

### 1.3.3 Suspense Account

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Action had not been taken to identify and settle the long outstanding credit balance of Rs.236,425 in the Suspense Account.

### 1.3.4 Accounts Receivable and Payable

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#### Accounts Receivable

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The Sabha was not in possession of schedules or any information to confirm the total balance of Rs.12,843,561 of 11 items of accounts which continued to exist. Also, action had not been taken to identify and settle them. Further, the Sabha had failed to furnish an age analysis in the regard.

### 1.3.5 Lack of Necessary Documentary Evidence for Audit

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#### Non rendition of Information for Audit

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Two items of accounts aggregating Rs.899,911 could not be satisfactorily vouched in audit due to non-rendition of schedules.

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

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Instances of non-compliance with laws, rules, regulations and management decisions appear below.

	<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Value Rs.</b>	<b>Non-compliance</b>
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(a)	1988 Pradeshiya Sabha (Finance and Administration) Rules		
	(i) Rule 17	-	Receipts and issues of P.S.21 counterfoil books had not been entered in registers.
	(ii) Rule 19	-	The counterfoil books of the Sabha had been stacked in racks. Used counterfoil books had not been certified. Further, there

were no entries in the register of counterfoil books regarding their returns.

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| (b) | Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka     | 8,346,745  | Action had not been taken to settle tender deposits of Rs.1,742,029 and miscellaneous deposits of Rs.6,604,736 exceeding 02 years, as per registers. Of these, Rs.723,490 and Rs.1,718,590 respectively had exceeded a period of 05 years.          |
| (c) | Circular of the Commissioner of Local Government No.LGD/05/2016 of 26 May 2016 | 22,407,788 | Although it is the duty of the Urban Secretary to issue licences for recovery of rates to implement it, to complete recovery of rates, and warrant charges recoverable within the calendar year itself, such action had not been taken accordingly. |

### **1.3.7 Transactions without adequate Authority**

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A total sum of Rs.5,139,171 had been written off against the Accumulated Fund as rectification of balances in the accounts which consisted of arrears of beef stall rent amounting to Rs.2,910,817, arrears of lease rent amounting to Rs.69,700 and arrears of rates amounting to Rs.2,158,654 for which the approval of the Minister in charge of the subject had not been obtained.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.75,969,197 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.21,124,262.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	44,645	52,329	51,739	25,289	76,406	49,892	50,839	28,613
Rent	14,439	17,519	17,424	8,965	14,449	13,983	13,783	9,608
Licence Fees	2,794	2,423	3,751	93	5,084	3,447	3,510	93
Other Revenue	135,652	80,365	70,914	916	117,495	81,585	80,327	949

## **2.2.2 Performance in collection of Revenue**

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- (a) The arrears of licence fees of Rs.93,800 as at end of the previous year remained static.
- (b) Bills had been issued for only 59.24 per cent of the other revenue estimated for the year under review. As such, the estimated revenue had not been achieved.

## **2.2.3 Rates and Taxes**

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Additional charges could only be levied on rates if distraining orders had been issued as referred to in the circular No.LGD/05/2016 of 26 May 2016 of the Commissioner of Local Government. However, fines had not been recovered for the arrears of rates of Rs.22,407,788 as at 31 December 2017 as warrants had not been issued.

## **2.2.4 Rent**

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- (a) According to Section 04 of the agreement entered into for stall No.46 of the Ragama small market belonging to the Pradesiya Sabha On 01 January 2011 which could be used as a shop or vegetable stall could only be utilized for the business approved by the Sabha. However, an on the spot inspection made on 21 August 2017 revealed that it had been used as a poultry shop. The Pradeshiya Sabha had been deprived of an opportunity of earning an increased revenue by calling for tenders for a meat stall as the unauthorized poultry shop had paid a low monthly rent of Rs.300. Meanwhile, justice had not been meted out to those who had forwarded their tenders for poultry shops. The owner of the shop had filed a case in the Gampaha District Court in May 2017 to issue an order so as to enable him to obtain a licence and the Sabha had not taken action until then. Attention of the Public Health Inspectors had also been not drawn regarding the sanitary safety measures prevailing at the stall.
- (b) Action had not been taken in terms of the agreement with regard to the arrears of Rs.158,681 recoverable from Poultry Shop No.01 of the Ragama Public Market as at 31 December 2017.

## **2.2.5 Court Fines and Stamp Fees**

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The Pradeshiya Sabha had not received stamp fees receivable from the Land Registries at Gampaha, Colombo and Negombo after 2014. Action had not been taken to recover the arrears.

## **3. Operating Review**

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### **3.1 Performance**

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The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act. such as regularization and control of matters relating to

public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

**(a) Allocation of Provision**  
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- (i) Out of the self-earned revenue of the previous year 28.56 per cent had been used for capital expenditure. However, this had dropped to 18.59 per cent during the year under review.
- (ii) A sum of Rs.25,000,000 had been provided for capital expenditure in the budget for the year 2017. However, agreements had been entered into for 69 projects valued at Rs.35,138,908 and as such the additional amount required had been obtained by transferring funds from the expenditure head for maintenance of roads. As a result, the maintenance of roads had decreased by 33.3 per cent than the estimated amount.
- (iii) The total revenue of the Pradeshiya Sabha for the year under review amounted to Rs.260 million. The total amount allocated for physical plans, highways, construction of bridges, public utility services and capital expenditure items was Rs.35 million. Accordingly, the amount allocated for capital expenditure from the year's revenue showed a low percentage of 13.46 percent.

**(b) Solid Waste Material Management**  
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The Sabha had established a compost fertilizer sector in about 01 acre of the approximate 3 ½ acres land belonging to the Sabha. The remnants after producing compost fertilizer had been disposed of, in a portion of the remaining land. This garbage had been heaped in an open space and it had been reported that a stream close to the fertilizer sector gets polluted as the garbage gets washed away during rainy days. Although the garbage should be covered by soil daily, 50 cubes of soil had been made use of in October 2017 after the first usage of 50 cubes of soil in February 2016. The Central Environmental Authority had pointed out on 02 March 2018 that the compost sector only should be maintained there and a suitable place should be obtained elsewhere for disposal of garbage. Accordingly, the environmental security licence requested for 2017 had not been received at the Sabha yet. Although, the circular of the Commissioner of Local Government No.WNP/LPD/15/2008 of 20 November 2008 draws attention for adopting an environmentally favourable method for disposal of garbage and to implement a long term method on this behalf, such action had not been taken.

**(c) Sustainable Development Target**  
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The Sabha was aware of the 2030 Agenda of the United Nations relating to sustainable development objectives, the necessary milestone required for directing the said functions

in order to achieve the identified development targets had not been identified during the year under review.

### **3.2 Management Inefficiencies**

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- (a) Providing general prosperity had been identified as the goal of the Pradeshiya Sabha. However, the progress made in resolving public complaints up to now was at a low level. There was no information regarding any action being taken for 131 out of 152 public complaints received during the year under review. Follow up action had not been taken regarding 20 complaints made.
- (b) The monthly average cash in hand of the Sabha amounted to Rs.88 million. As a result, of retaining this amount, the development programmes to be executed on behalf of public of the area had become low.
- (c) Action had not been taken regarding the shortages of 233 receipt books with counterfoils and 03 books of trade licences which possess cash value.

### **3.3 Assets Management**

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#### **3.3.1 Assets not Acquired**

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- (a) Two unauthorized structures were seen at 1 acre and 38 perches land of North Idiminna area acquired by the Sabha during sub-division of land. Proper action had not been taken by the Sabha to maintain its ownership safely. Land had been allocated for common amenities while auctioneering the Minuwangoda “Garden City” land. The land had not been acquired by a title deed.
- (b) Action had not been taken by the Sabha to acquire ownership of a galie bowser and 03 tractors received as donations from certain ministries.

#### **3.3.2 Annual Board of Survey**

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- (a) The annual board of survey for the year under review had not been conducted at two gardens and 12 child and maternity clinics.
- (b) The physical existence of 05 vehicles identified as belonging to the Sabha as per budget of the Pradeshiya Sabha had not been confirmed by the board of survey report conducted as at 31 December 2017.

### **3.4 Procurement**

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#### **3.4.1 Contract Administration**

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- (a) A sum of Rs.180,000 had been provided as per procurement plan for modernization of the Sabha hall and procurement activities had commenced on 13 December 2017. The estimated expenditure amounted to Rs.5,847,305 except the cost that would be additionally incurred. The following observations are made in this regard.
- (i) The specifications prepared had not contained the necessary details in order to meet the needs of the procurement, deviating the provisions in 5.6.1(a) and (b) of the Procurement Guidelines. Accordingly, the specifications had to be revised during the evaluation made by the technical evaluation committee. Specific agreement had not been arrived at regarding the additional cost to be incurred on this revised specifications. As such, the extra cost to be incurred by the Sabha had not been determined under proper management.
  - (ii) Recommendations had been made to obtain services such as seats for the hall of the Sabha, air conditioner, amplifiers and the system for tape recording from the institution to which the contract had been awarded. These had been included in the contract for modernization of the hall of the Sabha. As a result, the opportunity to obtain superior products with quality and manufacture at the open market at a low cost had been lost. This contravenes the objectives of 1.2.1 (a) and (b) of the Procurement Guidelines.
  - (iii) The institution carrying out the contract had been notified to complete the work and hand over it before 15 February 2018. However, the work had not been completed even by 14 March 2018 and extension of time had not been requested for.
- (b) A contract estimated at Rs.2,553,779 had been prepared for the construction project of a swinging bridge across the Thudella Kubukgahawella Depa Ela. The work was scheduled to be completed in 02 months as per agreement. However, the work had not been completed even by October 2017. The reason for abandoning the work was not revealed. The performance bond of Rs.128,000 had not been cashed so as to minimize the loss caused to the Sabha.
- (c) An agreement had been entered into with a contractor for Rs.2,575,428 on 20 October 2014 to construct a swinging bridge across the DepaEla of the Dandugama Gamage Wella road and the work was expected to be completed in 02 months. Only 12 out of 23 estimated items of the project had been completed and 11 items valued at Rs.537,835 had not been completed. Recommendations had been made stating that the work had been satisfactorily completed. Subsequently, 50 per cent amounting to Rs.1,006,720 had been paid on 30 September 2015 and the balance 50 per cent of Rs.1,006,720 had been paid on



15 May 2017. The technical officer had not furnished a report regarding the present status of the project regarding the final payments although about 02 years had elapsed. Further, an on the spot inspection made on 01 November 2017 revealed that hooks had not been fixed on the bridge and as such it was in a very dangerous position and a large hole had originated at the place where soil had been filled showing the construction had not been successfully done.

**4. Accountability and Good Governance**  
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**4.1 Internal Audit**  
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Adequate internal audit had not been carried out at the institution.

**5. Systems and Controls**  
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Deficiencies observed during the course of audit were brought to the notice of the Secretary from time to time. Special attention is needed in respect of the following areas of control.

<b>System</b> -----	<b>Deficiency</b> -----
(a) Revenue Administration	Action not being taken against unauthorized stalls and action not being taken to recover arrears.
(b) Accounting	Lack of capitalization of assets and confirmation of balances.
(c) Execution of Projects	Lack of procurement plans and lack of transparency in execution of projects.
(d) Assets Control	Non presentation of certain assets for verification.