

Gampaha Municipal Council

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 02 August 2019 and 13 September 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Gampaha Municipal Council as at 31 December 2018 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Basis for qualified opinion

Audit observation	Recommendation	Comments of the Accounting officer
(i) The value of machinery and equipment amounting to Rs. 348,510 and 2 computers received as donation from the Department of Local government had not been assessed and brought to account.	Should be correctly accounted.	These assets will be entered in the register of fixed assets and accounted during 2019.
(ii) Action had not been taken to acquire ownership of 03 vehicles valued at Rs. 8,779,400 received by the council as donation during the past 03 years and to include them in the accounts.	Ownership should be acquired and accounted.	The Municipal Council is taking action to acquire ownership of these vehicles.
(iii) Provision for creditors had been understated by Rs. 55,627 with regard to 2 projects and overstated by Rs. 313,443 with regard to 3 projects.	Should be correctly accounted	Action will be taken to rectify creditors.

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| (iv) | Eight projects for which Rs. 2,470,484 had been provided during the year under review had been cancelled. | Necessary accounting adjustments should be made. | The file relating to concreting the remaining portion of the Yakkala Dam buwawatta Road had not been produced for verification. Four remaining projects had been cancelled due to various reasons. |
| (v) | Provision had not been made for creditors amounting to Rs. 10,211,236 payable to the Land Reclamation and Development Corporation for disposal of garbage at the garbage sector at Kerawalapitiya during the year under review. | Correct value should be accounted as creditors. | Not replied. |
| (vi) | Stock shortage of Rs. 25,918 had not been deleted from the value of stocks during the year under review. | Loss of stock should be deleted in the accounts. | Will be deleted from stock after obtaining approval. |
| (vii) | A difference of Rs. 6,188,474 was observed between the accounts and the schedule with regard to 05 items of accounts. | Differences in balances should be reconciled and rectified. | Action will be taken to rectify difference in balances. |

1.4 Accounts Receivable and Payable

Audit observation

Recommendation

Comments of the Accounting officer

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| (a) | The balance of expense creditors as at 31 December of the year under review consisted of Rs. 118.7 million of 1-2 years, 2-5 years and 5-10 years respectively. The amounts were Rs. 58 million, Rs. 52.2 million and Rs. 8.4 million | Action should be taken to settle creditors. | Action will be taken in 2019 to minimize creditors. |
| (b) | The balances of sundry deposits payable as at 31 December 2018 | Action should be taken to settle sundry | All balances will be reviewed. Action |

amounting Rs. 40.7 million deposits. consisted of Rs. 16.7 million of 1-2 years, Rs. 13.1 million of 2-5 years, Rs. 4.9 million of 5-10 years and Rs. 5.9 million of over 10 years.

will be taken to show the lease deposits separately.

1.5 Non-compliance

1.5.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

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

Reference to Laws, Rules, Regulations and Management Decisions	Audit observation		Recommendation	Comments of the Accounting officer
	Value	Non-compliance		
	Rs.			
(a) Special Provisions Act No. 4.8 of 1971 relating to Local Authorities.	-	Rates and taxes to be revised every 05 years had not been done after 2011.	Should comply with circular provisions.	The Department of Valuation had been requested to assess rules.
(b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka				
(i) Financial Regulation 371	113,700	Advances obtained had not been settled immediately after the work is over	Action should be taken to settle advances after the completion of work.	Action will be taken to settle no sooner the work is over.
(ii) Financial Regulation 571	24,044,424	Action had not been taken regarding deposits over 2 years.	Action should be taken in terms of the Financial Regulation	Registers will be updated and action will be pursued to credit to revenue.

- (c) Circular of the Commissioner of Local Government No. 1980/46 of 31 December 1980. - Stall rent should be assessed at least once in 5 years. Assessment reports had not been obtained for 296 stalls of the Council. Should act in terms of circular provisions. Permanent follow up action will be taken to obtain updated assessment for stalls.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted Rs. 114,443,685 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 37,534,964

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue billed, Revenue collected and the Arrears of Revenue

The estimated revenue, revenue billed, revenue collected and the arrears of revenue for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	65,472,384	68,102,365	66,572,748	41,758,711	63,366,458	64,735,067	65,825,622	40,124,297
Rentals	28,676,282	29,410,995	32,221,453	252,375,123	29,302,956	37,217,535	22,866,353	27,765,861
License Fees	2,747,000	5,785,333	5,962,971	107,087	2,517,800	4,522,214	4,504,214	284,725
Other Revenue	297,676,510	309,699,030	396,787,819	114,398,836	241,631,844	204,862,478	274,118,325	201,484,454

2.2.2 Rates and Taxes

Audit observation

- (a) The rates and taxes recovered during the year under review amounting to Rs. 66.5 million consisted of Rs. 48.2 million of the current year. The arrears amounted to Rs. 18.3 million which was 45.6 per cent.

Recommendation

- Arrears of rates should be efficiently recovered.

Comments of the Accounting officer

- Red notices had been issued for arrears within the Gampaha Municipal limits. Final notices had been issued for confiscation of properties for arrears over Rs. 5,000.

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| <p>(b) The arrears of Rs. 36.36 million as at 31 December 2018 consisted of Rs. 1.83 million of over 10 years, Rs. 14.37 million of 5-10 years, Rs. 12.33 million of 2-5 years and Rs. 7.8 million of 1-2 years respectively. The arrears included 14 balances over Rs. 01 lakhs, 27 balances over Rs. 50,000 and 06 balances of over Rs. 50,000 of the Yakkala sub office.</p> | <p>Proper method should be adopted for recovery of arrears.</p> | <p>Arrears of rates is being recovered now. Properties will be ceased if arrears are not paid.</p> |
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2.2.3 Entertainment Fees

Audit observation

The arrears of entertainment tax of Rs. 5,149,577 included Rs. 4,192,178 due from a cinema hall from 2010 to 2018.

Recommendation

Recovery of arrears should be efficiently made.

Comments of the Accounting officer

Legal action will be taken against defaulters of tax.

2.2.4 Rent

Audit observation

- (a) The arrears due from central bus stand stage 1 amounted to Rs. 304,173 and arrears from 4 stalls of 4th stage over 10 years was Rs. 67,400 The arrears from 04 stalls of the fish stalls over 10 years was Rs. 12,637 and the arrears of 2 stalls of market avenue over 10 years was Rs. 3,000 whereas the arrears of 4 stalls of market stage 2 over 10 years amounted Rs. 31,250.

Recommendation

Recovery of arrears should be efficiently made.

Comments of the Accounting officer

Necessary steps for recovery will be taken in future.

- (b) Adequate steps had been taken to recover arrears of Rs. 11.11 million due from 48 stalls since 2008. The new assessments of 01 August 2008 had not been paid by lessees.

Recovery of arrears should be efficiently made.

The council decided to obtain payments in installments from December 2018 as decided by the petition committee. Recoveries will be made within 2

years in 24 instalments with penalties.

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| (c) | Action had not been taken to recover arrears of Rs. 678,314 since 2012 from 4 stalls of the Yakkala old fair premises. | Action should be taken to recover arrears. | Concessions had been granted to pay new assessment rates by the councils' decision (No. 264) of 08 October 2012. The lessees had not agreed. |
| (d) | The previous arrears due from 22 stalls of the Council at the Central Bus stand and 23 stalls at the Trade complex amounted to Rs. 36.87 million. There were arrears of 2007 to 2017. Meanwhila, Previous arrears due from 49 stalls at the Yakkala trade complex amounted Rs. 63 million. | Action should be taken to recover previous arrears. | The council decided to accept the request for concessionary period to pay arrears and decided to inform stall holders accordingly on 01 May 2019. |

2.2.5 Licences Fees

Audit observation

Adequate action had not been taken to recover the arrears of trade licence of Rs. 84,587 and the trade tax of Rs. 113,200 as at end of the year under review.

Recommendation

Action should be taken to recover arrears.

Comments of the Accounting officer

Action will be taken in 2019 to prepare correct estimates by comparing with the previous budgeted estimates.

2.2.6 Other Revenue

Audit observation

- (a) Action had not been pursued regarding 17 institutions of the area which owned lapsed environmental licences.
- (b) Out of the 24 applications received for environmental licences, issues had been made for 12 and the reasons for not issuing licences to others had not been reported.

Recommendation

Environmental licences should be renewed.

Comments of the Accounting officer

Institutions owning lapsed environmental licences had been notified.

Licences should be issued.

Action will be taken to issue licences.

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| (c) | Action had not been taken to recover rates for telecommunication towers of the area and business tax had not been recovered from institutions which had installed equipment in tower. | Action should be taken to recover tax | Action will be taken to revise the rates and the recover business tax. |
| (d) | Publicity advertisement applications had not been prepared as per bye-laws included in the Gazette Extraordinary Notification No. 1947/6 of 28 December 2015. | Applications should be prepared according to the gazette. | The application included in the gazette notification No. 1947/6 of 28 December 2015 will be revised and issued. |

2.2.7 Court Fines and Stamp Fees

Audit observation

The court fines of Rs. 6 million estimated to be obtained from the Chief Secretary of the Provincial Council for 2018 had not been obtained.

Recommendation

Action should be taken to obtain court fines.

Comments of the Accounting officer

The court fines of 2018 could not be obtained. However, Rs. 7,224,184 had been obtained by 21 January 2019.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 4 of the Municipal Councils Ordinance 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) Bye – laws

Audit observation

- (i) Bye – laws were needed to be enacted for 32 main functions in terms of section 272 of the Municipal Councils ordinance. However, 18 bye – laws had only been enacted even by 31 December 2018.

Recommendation

Necessary bye-laws should be enacted

Comments of the Accounting officer

The council make uses of bye-laws approved by the Gazette Notification No. 541/17 of 20-01-1989 of the Democratic Socialist Republic of Sri Lanka if and when necessary.

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| (ii) | Bye-laws had not been enacted for solid waste material Management. | By-laws should be enacted and garbage tax recovered. | Bye-laws for solid waste material management is being adopted. |
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(b) Action plan

Audit observation

Eight functions included in the bye-laws enacted had not been included in the action plan.

Recommendation

All functions should be included in the annual action plan.

Comments of the Accounting officer

Action will be taken to include functions for implementation in the action plan.

(c) Failure to Achieve the Expected Benefits.

Audit observation

Out of the 41 stalls constructed at the Yakkala Shopping Complex by end of the year under review 15 stalls only had been given on rent so as to obtain the expected benefit.

Recommendation

Stalls should be given on lease to earn revenue.

Comments of the Accounting officer

Out of the 41 stalls constructed 15 stalls had commenced their business. Lessees of 26 stalls had been requested to sign agreements.

(d) Tasks Abandoned

Audit observation

The Madamawaththa Indoor football stadium constructed by spending Rs. 5,230,606 in 2003 had been completed up to the roof stage by fixing concrete poles even by 24 June 2019. Subsequently the work had been abandoned. the Central Engineering Consultancy Bureau had reported that there was no room for spectators and other necessary matters and the concrete structure was not strong enough to hold the roof.

Recommendation

Projects should be completed in time and objectives should be achieved.

Comments of the Accounting officer

The Central Consultancy Bureau had recommended to demolish the Madamawaththa construction. The Council will act accordingly.

(e) **Delay in Execution of Tasks**

Audit observation

Recommendation

Comments of the Accounting officer

A sum of Rs. 66,000 had been spent during the year under review for the global Information System Technology for Capacity Building of the office of the Gampaha Municipal Council which commenced on 22 August 2017 at an estimated cost of Rs. 1,000,000. But, the project had not been fulfilled due to lack of human resources and extra work involved in this matter apart from the official duties.

Usage of GIS software should be efficiently done.

The services of the Moratuwa University had been sought for usage of GIS software.

(f) **Sustainable Development Targets.**

Audit observation

Recommendation

Comments of the Accounting officer

A draft of the Sustainable Development Plan for 2019 -2023 had been prepared. But, the sustainable development project for 2018 had not been executed.

Sustainable development target should be achieved

A development plan for sustainable development objects had been prepared.

3.2 Human Resources Management

Audit observation

Recommendation

Comments of the Accounting officer

(i) Vacancies in the posts of Public Health Inspector, Management assistant, 02 revenue inspectors, 01 technical officer and a medical officer existed from 18 May 2016, December 2018, March 2015 and 20 January 2017 respectively.

Vacancies should be filled.

Other vacancies except the posts of revenue inspectors had been filled.

(ii) Action had not been taken to recover loan balances of Rs. 264,105, Rs. 9,509 and Rs. 35, 170 respectively over 10 years from 34 retired persons,

Loan balances should be recovered.

Action will be taken to recover loan balances.

6 persons transferred and 7 persons released to the Ceylon Electricity Board.

3.3 Operating inefficiencies

Audit observation

The rates of the Municipal Council and the Yakkala sub office had completed 07 and 11 years respectively since their assessments made in 2011 and 2006 respectively which consisted of 10,930 units of properties and 20130 units of properties. The updated tax could not be recovered from these 31,060 units to suit the present values.

Recommendation

Periodical assessment of rates should be done.

Comments of the Accounting officer

Differences in estimates had occurred due to recovery of rates and taxes by identifying new properties, deciding new assessments for properties vested and conversion of residential properties into commercial properties.

3.4 Assets Management

3.4.1 Failure to confirm safety of Asset

Audit observation

Action had not been taken even by 27 June 2019 to acquire 04 vehicles valued at Rs. 30,069,519 handed over to the Municipal Council by the Ministry of Local Government in 2015.

Recommendation

Action should be taken to acquire vehicles.

Comments of the Accounting officer

Action is being taken by the Municipal Council to acquire the vehicles.

3.4.2 Idle / Under Utilized Assets.

Audit observation

- (a) Twenty eight stalls of the wholesale and retail trade complex in Gampaha remained idle.

Recommendation

Properties of the Council should be used to earn economic benefits.

Comments of the Accounting officer

Tenders had not been called for, as business could not be conducted there.

The three wheeler of the Council had met with an accident on 19 March 2016 and remained parked in the premises of the council. The compensation from insurance had not been obtained even by 27 June 2019.

Prompt action should be taken to obtain compensation.

Action is being taken to obtain compensation from insurance.

3.4.3 Annual Verification of Good / Stocks

Audit observation

Shortages in office equipment and furniture regarding 429 items and excesses in 87 items were observed at the verification of goods. Necessary action had not been taken in this regard.

Recommendation

Shortages and excesses should be dealt with in terms of Financial Regulations.

Comments of the Accounting officer

A committee will be appointed to find out excesses and shortages and action will be pursued.

3.5 Identified Losses

Audit observation

Surcharges of Rs. 412,677 and Rs. 216,150 had been paid to E.P.F and E.T.F due to late remittances.

Recommendation

Contribution should be sent without delay.

Comments of the Accounting officer

The Council has paid the surcharges in instalments.

3.6 Procurement

3.6.1 Procurement plan

Audit observation

Machinery and equipment for Rs. 1,224,575 and furniture and equipment for Rs. 284,075 were expected to be purchased. But, the purchases amounted to Rs. 5,531,641 and Rs. 8,669,160 respectively.

Recommendation

Purchases should be made according to the procurement plan.

Comments of the Accounting officer

Not replied.

3.6.2 Contract Administration

Audit observation

A sum of Rs. 727,827 had been paid for concreting 04 roads under the decentralized programme. The thickness of the concrete slabs and the strength of pressure shown in the estimates had not been physically checked or checked by laboratory tests.

Recommendation

Strength of pressure should be checked before making payments.

Comments of the Accounting officer

Laboratory tests had not been included in the engineers estimates of 04 projects.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit observation

(a) The entire provision of Rs. 8.7 million made for 37 objects during the year under review had been saved.

Recommendation

Provision should be made by correctly identifying the plan

Comments of the Accounting officer

Not replied.

(b) Out of the provision of Rs. 6,947,842 made for 21 projects expected to be executed from the funds of the Council, 12 projects valued at Rs. 3,700,526 only had been completed.

Project should be executed during the year.

Not replied.

4.2 Audit and Management Committee

Audit observation

Audit and Management Committee meetings had not been held during the first 06 months of the year under review. Only 02 meetings had been held on 10 June and 17 December.

Recommendation

Meetings should be held as required

Comments of the Accounting officer

Only 02 Audit and Management Committee meetings had been held in 2018.