

Ja Ela Urban 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 and detailed management report of the Auditor General on the financial statements had been forwarded to the Chairman on 26 June 2019 and 27 August 2019 respectively.

1.2 **Qualified Opinion**

In my opinion, except for the effect of 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 JaEla Urban Council as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3.1 **Basis for qualified opinion**

(a) **Accounting Deficiencies**

Audit Observation	Recommendation	Comments of the Accounting Officer
Capital aid receivable amounting to Rs.5,492,515 had been overstated in the accounts.	Necessary adjustments should be made in the accounts.	The value shown in the final payments report too could vary. As such, the difference between the estimated value and the receipts will be adjusted in the following year.
The dishonored cheque of Rs.200,000 received 08 years ago as tender deposit had been credited to the Accumulated Fund.	Unrealized cheques should not be credited to revenue.	Action will be taken to rectify in the final accounts 2019.
Two three wheelers purchased for Rs.1,531,060 by the Council in 2017 had not been capitalized.	The assets concerned should be capitalized.	Action will be taken to rectify in the final accounts 2019.

(b) **Unreconciled Accounts**

Audit Observation

Recommendation

Comments of the Accounting Officer

A difference of Rs.6,459,002 was observed between the balances of 02 accounts shown in the financial Statements and the balances shown in the subsidiary registers.

Action should be taken to reconcile the difference and rectify.

Rectification will be done before preparation of final accounts 2019.

(c) **Accounts Receivable**

Audit Observation

Recommendation

Comments of the Accounting Officer

Out of the mobilization advance paid for construction of the compost sector of the Urban Council in 2012 a sum of Rs.153,749 had not been recovered even by end of the year under review.

Advances paid should be recovered while making payments.

Reply not furnished.

1.4 **Non-Compliance**

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

Reference to Laws, Rules Regulations and Management Decisions	Value	Non-compliance	Recommendations	Comments of the Accounting officer
(a) Urban Council Ordinance Section 77	-	Although 23 unauthorized stalls have been constructed in Ward 05, action had not been taken to demolish or to remove them. Instead, legal status had been given by allocating a number for rates.	Action should be taken according to the Urban Council's Ordinance regarding unauthorized structures.	The Urban Development authority had already filed a case for removal of stalls. Action will be taken after the judgement.

(b) Financial Regulation
of the Democratic
Socialist Republic of
Sri Lanka

- | | | | | |
|---|---|--|---|---|
| (i) Financial Regulation
272 | - | Action had not been
taken regarding
misplaced voucher for 9
months of 2007-2011 | Action should be taken
against officers
responsible. | Our record room is now
arranged systematically
for safe keeping of
documents. |
| (ii) Financial Regulations
315(3) and 316(1) (c) | - | Action had not been
taken regarding receipts
and counterfoil books
misplaced during 02
months of 2010 and
2011. | Receipts and
counterfoil books
should be safely kept
and the control system
should be improved. | Misplacement of
counterfoil books have
not been reported to
me. The record room is
ready for safekeeping
of documents. |

2. **Financial 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 2018 amounted to Rs.51,255,753 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.29,109,990.

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	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	42,950	44,211	27,602	23,558	36,675	41,804	26,630	21,011
Rent	9,337	9,624	9,624	-	8,560	8,875	8,835	-
Licence Fees	738	1,166	1,166	-	462	1,330	1,330	-
Other Revenue	94,614	50,626	50,626	1,522	64,369	28,626	28,626	172

2.2.2 Rates and Taxes

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Out of the previous year's arrears of rates of Rs.21,010,864 only 45 per cent amounting to Rs.9,484,116 had been recovered. Out of the arrears of rates of Rs.23,558,001 as at end of the year Rs.5,156,777 had been recovered by 30 April 2019 leaving Rs.18,401,224 as recoverable.	Proper method should be adopted for recovery of arrears of revenue.	Out of the arrears as at 31 December 2018, Rs.5,156,177 had been recovered by 30 April 2019 which was 21.9 of the arrears. The balance will be recovered in 03 future quarters.
(b) Arrears of revenue of Rs.405,223 made up of Rs.375,016 for demolishing of houses and Rs.30,207 for poverty alleviation had been written off without the recommendation of the Grama Niladhari.	The recommendation of Grama Niladhari is required for poverty alleviation and demolishing of houses.	Recommendation of the Grama Niladhari and approval of the Divisional Secretary will be obtained in the form introduced by the Council.

2.2.3 Licence Fees

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Environmental Licence fees had not been obtained from 08 business establishments of the Urban Council area.	Environmental Licence fees should be obtained in terms of Section 17 (c) of the Board of Investment Act.	Not replied.

3. Operating Review

3.1 Performance

According to the Section 4 of the Urban Council Ordinance the following matters were revealed with regard to functions to be performed by the Council regarding regularization and administration of public health, common amenities services and public highways, health facilities of the public, facilities and welfare etc.

(a) Delays in Execution of Tasks

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Although agreement had been entered into for 06 contracts in 2017 those projects had not been implemented even by 30 April 2019.	Projects should be executed according to the agreements.	Not replied.
(ii) Provision amounting to Rs.4,500,0000 had been made for 05 projects during the year under review under the Gamperaliya Programme of this, Rs.715,858 had been paid for ABC mixture of roads alone. The works relating to roads had not been completed.	Work should be completed according to agreements.	Not replied.
(iii) Although 05 road development contracts for Rs.4,049,012 had been approved under the Decentralized budget and the Gamperliya programme during year under review the projects had not been executed.	Work should be completed according to agreements.	Not replied.

(b) Sustainable Development Targets

Audit Observation	Recommendation	Comments of the Accounting Officer
Government institutions are required to identify sustainable development objectives and targets for 2015-2030 In terms of the Sustainable Development Act No.19 of 2017 and as per Agenda of the United Nations, the Council had no Indicators to measure and identify objectives and targets and to identify the targets to prepare the action plan for the year under review.	Action should be taken to identify sustainable	Regularization of objectives and targets, identify base data and preparation of Annual action plan had been approved By the Council on 14 March 2019.

3.2 Management Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Only 61 out of 215 building applications Of the Lake city block of land sold had been approved from 2014 to 2018. But, it was observed at a physical verification on 19 September 2018 that buildings had been constructed In over 80 per cent of the land. New assessment rates had not been recovered and the arrears of rates as at 30 September 2018 amounted to Rs.403,451.	Newly assessed fees should be recovered for new constructions.	Not replied.
(b) The value added tax of Rs.2,260,628 payable for 17 projects awarded to registered contractors in 2017 had omitted in the estimates.	Value added tax should be included in the estimates.	Value added tax had been omitted during the agreement. However, it is a liability and liabilities for creditors arise.

3.3 Operating Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) The register of fixed assets had not been updated.	The register of fixed assets should be updated.	Reply not furnished.
(b) An extensive land of 02 roods and 30 perches of Wewala sportsground had been vested with the Council by a registered title deed. It was observed at a physical verification on 18 September 2018 that unauthorized constructions had been carried out there.	The assets of the Council should be protected.	Reply not furnished.

- (c) Estimates at various rates had been prepared for 05 projects to bend 01 cube by a road roller not less than 08 tons by pour water with ABC mixture. Preparation of estimates should be based on BSR or at the rate of the District Pricing committee. Reply not furnished.
- (d) The lake city urban land of 37 acres 03 roods and 28 perches had been sub divided and sold. Approval had not been obtained in terms of Section 20 (1) (a) of the Urban Development Authority Act No.41 of 1978. Out of the blocks bearing letters C, D, G,L and H, the L block of 01 acre, 03 roods and 26 perches belonged to the lake. G block had not been included in the survey plan. Both of these lands were not suitable for common amenities. Should act according to the Act. Suitable land should be allocated for common amenities. Reply not furnished.

3.4 Procurement

3.4.1 Supply and Services

Audit Observation

The lowest tenderer had not been offered the security services recommended by the procurement committee during the period 01 May 2018 to 30 April 2019. The first and the second tenderer with basic suitability had been rejected while offering the work to the 3rd contractor with the lowest price. This contravenes (c) and (f) 1.2.1 of the procurement guidelines. The quality of work of 3rd tenderer whose service was not satisfactory and pointed out in audit during the previous year had not been considered.

Recommendation

Should act according to the circular instructions.

Comments of the Accounting Officer

The contract had been awarded in 2017 on the decision made by the technical evaluation committee and the evaluation committee of 05 officers including a police sub inspector appointed by the Secretary.

3.4.2 Contract Administration

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) The documents relating to opening of tenders during the laying of tiles In the inner portion of the Urban Council office had not been done according to 6.3.6 of the procurement guidelines. The amount agreed by the contractor amounted to Rs.1,299,667. But, approval had been granted for Rs.1,244,782 only. As such, there was no approval for Rs.54,885.	Should act according to procurement guidelines.	Not replied.
(b) An agreement had been entered into for making a name board with letters of 8 inches thickness and the amount payable was Rs.110,000. But, the payment made amounted Rs.225,000 with letters of 7 inches thickness, resulting in an overpayment of Rs.115,000. The estimate for the pantry cupboard was Rs.206,360 without specifying the timber to be used. An inspection carried out on 05 December 2018 revealed the timber was not strong enough.	An overall estimate should be prepared. Payments should be according to the agreements and estimates.	Not replied.
(c) The amount spent on laying stones and Church Lane amounted to Rs.262,133 and the work had been completed on 31 August 2018. An inspection carried out on 18 September 2018 revealed that stones had erupted on the surface of the road.	Action should be taken to execute the work properly.	Not replied.
(d) A sum of Rs.343,980 had been paid for cleaning the Depa Ela by using machines from the Kanuwana Urban Council limit to the the urban council limit. However, a physical verification carried out on 19 October 2018 revealed that machines had not been used and the machines could not be used in Ela area which was flowing through a thin area with houses.	While doing the work a Technical Officer's supervision and recommendations is required.	Not replied.