

Peliyagoda 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 of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 26 June 2019 and 30 August 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown 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 Peliyagoda 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 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Four cheques valued at Rs.408,848 received for rates during the year under review had been dishonored, This value had not been debited in the Dishonored Cheques Account. In spite of this, the cash received in lieu of these cheques had been credited in the dishonored Cheques Account thus overstating the dishonored Cheques Account.	Debtors should be debited when cheques are dishonored.	Will be rectified in the accounts for 2019.
(ii) Provision for creditors had not been made for the sum of Rs.377,382 identified as payable on 03 occasions during the year under review.	Provision for creditors should be made for any future payments.	This is due to an oversight, Will be avoided in future.

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| (iii) | Instead of accounting the physical stock of Rs.821,911 the ledger balance of Rs.16,465,890 had been brought to account. | Physical stock should be entered in the financial statements. | The old ledger balance continues. Action will be taken to adjust in the accumulated fund in 2019. |
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(b) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
A difference of Rs.16,044,075 existed between the balances of items of accounts in the financial statements as at 31 December 2018 and the related subsidiary registers.	Differences in the related balances should be reconciled and rectified.	Unable to rectify as information relating to employees' loans and balances of stock of stores are not available. Action will be taken to rectify differences in other balances.

(c) Accounts Receivable and Payable

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Action had not been taken to settle balances of Rs.192,716 of dishonored cheques remaining unidentified for a number of years.	Action should be taken to recover without being time-barred.	Action will be taken to settle in 2019.
(b) Action had not been taken to settle creditors valued at Rs.11,223,488 existing from 2004 to 2017.	Officers should maintain the respective books and registers in a regular and updated manner.	This error had occurred as a result of not updating the register of creditors.

(d) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Evidence to confirm 02 items of accounts valued at Rs.98,920,198 had not been furnished. As a result, these could not be satisfactorily verified in accounts.	Evidence to confirm to balances in the financial statements should be furnished.	Action will be taken prepare in future.

1.4 Non-compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
Section 2(a) of the Avoidance of Public Health disaster Enactment No.03 of 2012 of the Western Provincial Council.	The Public Health Inspectors had identified 16 hotels/ business establishments and 37 houses which had released waste water to the drain. Although the relevant hotels and owners of business establishments were requested in writing in May 2018 to rectify them, action had not been pursued.	Follow up action should be taken.	The public health Inspectors had been instructed to initiate legal action.

1.5 Transactions without Adequate Authority

Audit Observation	Recommendation	Comments of the Accounting Officer
Out of revenue from rates, a sum of Rs.209,919 had been written off during the year under review as tax relief and closure of properties during the year under review	Approval of the Trade Minister should be obtained.	Write off on behalf of tax relief amounting to Rs.204,948 and Rs.4,971 on behalf of closure of

without confirmation from the Grama Niladhari.

properties had been done on personal requests.

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.22,875,793as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.12,932,516.

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.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	42,000	41,524	36,467	26,918	40,500	41,450	42,792	26,754
Rent	4,071	4,564	3,420	997	3,499	3,229	3,264	103
Licence Fees	2,306	2,471	2,480	6	2,127	1,990	1,990	-
Other Revenue	18,068	31,417	31,417	343	19,480	6,353	6,353	-

2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Out of the other revenue of estimated amounting to Rs.18,068,000, Rs.31,417,000 had been collected showing that feasible estimates had not been prepared.	----- Feasible estimates should be prepared.	----- Reply not furnished.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The arrears of rates as at 31 December 2018 amounted to Rs.26,922,350 of which Rs.2,703,788 was recoverable from 17 units exceeding Rs.50,000 as at 31 May 2019.	----- A method to recover arrears of rates should be prepared.	----- Out of the arrears, Rs.2,497,416 had already been recovered. A method to recover the balance had been prepared.

2.2.4 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The revenue from rent collected was less by Rs.1,144,000 than the amount billed for the year under review.	Proper method should be adopted to recover the revenue of the year under review during the year itself.	All revenue had been billed as revenue from rent in 2017. Arrears of revenue only had been billed during 2018. As a result, the revenue of 2018 was less than 2017.
(b) No fee had been recovered from 02 stalls of the public market and from the Post Office. Over 50 per cent of the amount recoverable from 14 stalls amounting to	Action should be taken to recover rent as per government assessment.	The assessed value of 100 per cent of stalls had been reduced to 50 per cent on a decision made by the Council. This amount had been recovered.

Rs.488,710 had not been recovered even by 23 May 2019.

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| <p>(c) The ownership of the properties of the Urban Council had not been confirmed by title deeds. As a result, revenue obtained from 10 properties of the Council during the previous year could not be obtained.</p> | <p>Action should be taken to confirm legal ownership of properties of the Council.</p> | <p>Action is being taken to prepare title deeds and confirm ownership of properties of the Council. Action will be taken to confirm the ownership so as to give it on lease.</p> |
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2.2.5 Licence Fees

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>Environmental licences had not been Issued to 06 business and industrial establishments within the area of the Council during the year under review.</p>	<p>Revenue from environmental licences should be obtained from business and industrial establishments.</p>	<p>Recommendations had been made for 02 businesses. Recommendations had not been made for 04 businesses till the shortcomings are rectified.</p>

2.2.6 Other Revenue

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) Revenue from Towers -----</p> <p>Fees for 09 telecommunication towers had not been recovered even by 23 May 2019.</p>	<p>The fees concerned should be recovered.</p>	<p>Informed in writing. Action will be taken to collect all dues in future.</p>
<p>(b) Garbage Tax Revenue -----</p> <p>Fee for disposal of garbage had not been recovered from 187 business and industrial</p>	<p>The fees concerned should be recovered.</p>	<p>Recovery of garbage revenue is due to commence in 2019.</p>

establishments during the year under review.

3. Operating Review

3.1 Performance

The following matters were revealed regarding functions to be performed by the Council in terms of Section 4 of the Municipal Councils Ordinance such as, regularization and administration of public health, public utility services and public highways, health of the public, facilities and welfare etc.

(a) Tasks not Executed

Audit Observation	Recommendation	Comments of the Accounting Officer
A project estimated at Rs.152,461 estimated during the year under review had not been executed. even by 22 May 2018. 02 projects given on contract for Rs. 493,489 had not been completed by that date.	Necessary and important projects should be selected and completed.	Another essential project had been executed by transferring Rs.152460 of an estimated project.

(b) Sustainable Development Targets

Audit Observation	Recommendation	Comments of the Accounting Officer
The sustainable development objectives and targets should be identified for 2015 - 2030 as per Agenda of the United Nations Organization. Identifying indicators to measure and regulate such objectives and targets, identifying annual targets and preparation of action plan had not been done.	Action should be taken to achieve the sustainable development objectively and targets.	A plan sustainable development objectives and targets will be prepared and action will be taken accordingly in 2019.

3.2 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken even by end of the year under review to recover loan balances of 05 retired officers amounting to Rs.552,083 and Rs.804,800 from 40 persons who had vacated posts/discontinued from service/ expired.	Action should be taken to recover the loans due to the Council.	Permission to write off loan balances of Rs.330,055 of 30 officers had been sought from the Commissioner of Local Government. Action is being taken to recover loan balances of Rs.705,532 from 06 officers and loan balances had been recovered from 02 persons.

3.3 Transactions of Contentious Nature

Audit Observation	Recommendation	Comments of the Accounting Officer
A case had been filed in the Sri Lanka Human Rights Commission stating 135 perches of land had been lost as a result of widening the Canal adjoining lots 1 and 2 of Naramminiya Paddy land at DharmalokaMawatha, Kelaniya in 2003 and 2007. Payment of compensation had been recommended on this behalf without specifying the amount. Based on the recommendation, the owner had claimed Rs.82.5 lakhs from the Council as compensation. This had not been disclosed in the accounts.	Action should be taken in such a manner so as to avoid loss to private properties during the implementation of projects.	The sum of Rs.8,250,000 is the amount assessed by the valuer of the complainant. Meanwhile, action will be taken to obtain assessment by government valuer and to appeal to the Human Rights Commission. In addition, it had been decided to make a provision of Rs.50 lakhs in the budget.

3.4 Procurement

Supplies and Services

Audit Observation

Quotations had been called for, for the supply of office furniture during the modernization of office including the premises of the Council. While doing so, the required variety of timber and finish (with scaffolding) had not been mentioned and the decision had been made subsequently. As a result, the prices of those items had increased by Rs.212,250 than the original prices. The comfortability of those office furniture had not been taken into consideration.

Recommendation

Specification should be prepared in accordance with the requirement.

Comments of the Accounting Officer

Suitable variety of timber had been selected as per instructions of the officers who had made observations. The Superintendent of Works and the technical officer had decided teak as the variety of timber suitable considering the physical condition of the premises of the Council.