

Ja-ela Urban Council

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 13 March 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 30 July 2020 and 21 September 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Ja-ela Urban Council as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) 02 trailers purchased of Rs.690,000 for the year under review had not been capitalized.	The assets purchased should be capitalized.	Inform that it would be corrected by the final accounts for the year 2020.
(b) The amount of Rs.12,998,400 out of the value not paid for the Compactor had been capitalized therefore the fixed assets account had been overstated by that amount.	Actions should be taken under the Circular by the Commissioner of Local Government on 20 August 2014.	Inform that it had been accounted the full amount of expense and the capital amount by the journal entries and the parallel liability incurred would be settled in installments.
(c) The book value of Rs.11,408,112 had been accounted as the stock of the year under review.	The physical stock value should be accounted with the necessary adjustments.	Inform that the incompatibility between the physical stock value and the ledger balances would be corrected after specific inspections.

- (d) The amount of Rs.368,464 of property loan interest receivable and the trainee allowances for the year under review and for the preceding year had not been declared in the accounts. It should be accounted under the letter No.LGD/01/D/2019/05 of the Commissioner of Local Government on 19 September 2019. Inform that it was accounted on cash basis and not on the accrual basis.

1.3.2 Unreconciled Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
A difference had been appeared of Rs.9,114,298 between 03 items of accounts and its balances stated in the subsidiary registers as at 31 December 2019.	Actions should be taken to compare those differences and correct.	Inform that the shortage would be corrected by an inspection of the register.

1.3.3 Payable Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Actions had not been taken to recover or to make the corrections to the account to adjust the balance in Arrears of Electricity charges of Rs.1,110,620 descending from last years.	Actions should be taken to recover or settle.	No Comments.
(b) Actions had not been taken to recover an amount of Rs.6,691,399 relevant to 25 Works commenced in last few years.	Actions should be taken to recover.	No Comments.
(c) Actions had not been taken to recovers. 32,007 amount of 04 dishonoured cheques received by the Sabha from the customers and there had been Rs.22,404 cheque expired 09 years and a Rs.7,353 cheque expired 5 years.	Actions should be taken to recover.	A cheque of Rs.872.63 had been recovered on 22 January 2020.

1.3.4 Lack of Necessary Documentary to Evidence for Audit

Audit Observations	Recommendations	Comments of the Accounting Officer
02 Account balances totaled to Rs.45,225,743 could not be satisfactorily vouched during the audit due to non rendition of the reports in arrears income and the time analysis.	Evidence to confirm the balances of accounts in the financial statements should be furnished.	No Comments.

1.4 Non Compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>			
i. F.R 104	An investigation had not been carried out on the shortages in goods revealed for the year under review.	Actions should be taken by an inspection on the shortages revealed by the board of survey and the shortages in the inventory.	No Comments.
ii. F.R.371(2)	Actions had not been taken to settle Rs.1,132,826 of 21 Advances given for the year under review and Rs.158,749 of 02 advance given from 2012 to 2015.	Actions should be taken to settle the advances write after the tasks had been completed.	Inform that actions had been taken to settle Advances of Rs.424,608.
iii. F.R. 571	Actions had not been taken to realize a deposit of Rs.2,962,935 over 02 years.	Actions should be taken under the financial regulations.	Inform that actions are being taken to take the amount of Rs.2,962,935 to the revenue of the Sabha in the year 2020.

1.5 Transactions not Confirmed by Necessary Authority

Audit Observations	Recommendations	Comments of the Accounting Officer
Rates in arrears of Rs.793,581 had been written off as demolished houses without a recommendation of a GramaNiladari.	The recommendation of the GramaNiladari should be obtained.	Inform that follow up inspection by the audit would be carried out to ensure the transparency of the report issued by the revenue inspector and actions would be taken to make a program after informing the Divisional Secretary.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2019 amounted to Rs.41,081,341 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.51,255,753.

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	2019				2018			
	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
(i) Rates and Taxes	45,250	44,157	28,361	28,292	42,950	44,211	27,602	23,558
(ii) Rent	10,055	10,464	10,464	684	9,337	9,624	9,624	567
(iii) Licence Fees	952	997	997	7	738	1,166	1,166	7
(iv) Other Revenue	86,460	47,756	47,756	3,494	94,614	50,626	50,626	3,494
Total	142,717	103,374	-87,578	32,477	-147,639	-105,627	-89,018	27,626

2.2.2 Rates and Tax

Audit Observations	Recommendations	Comments of the Accounting Officer
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The arrears as at 31 December 2019 of Rs.26,588,683 had been incurred an amount of Rs.1,453,534 of arrears over 05 years.	Actions should be taken to recover the arrears income.	No Comments.

2.2.3 Rent

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) The minimum price of the tender had been reduced by 10 percent by an immediate decision and again it had been reduced to 15 percent by another immediate decision because no bidders had been called for the tender of the Meat Stall for the year 2019. Therefore the annual tender value had been reduced by Rs.371,275 compared to the last year and reduced by Rs.167,655 compared to the valuation made by the valuation department.	Actions should be taken to do amendments to the annual valuation by the approval of the valuation department.	Inform that the price of the tender had been reduced by 10 percent through a decision made by the Tender Board on 25 September 2018 and called for the tenders until 09 October 2018 but no bidders had been fronted therefore again a decision had been taken to call for the tenders after reducing the price upto 15 per cent on 12 October 2018
(b) A loss of Rs.312,360 had been occurred compared to the first price due to not making agreement when leasing the No.40 Pork Stall in the Common Market Place for Rs.1,034,000 for the year 2019 and reducing the price again to Rs.721,000.	An agreement should be made with the tenderer after offering the tender and the amendments to the valuation should be done through the approval of the valuation department.	Inform that the only one tenderer who fronted after reducing the price up to 10 percent had not been fronted after he had been informed to make the agreement after completing the requirements.

3. Operating Review

3.1 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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a) Engine and 17 other repairs of Rs.1,147,909 in the year 2017 and from that date to August 2019 repairs of Rs.501,322 had been done to a Toyota Van purchased on 06 June	The repair expenditure should be economically efficient.	The estimate had been obtained by the agency to find out the real situation of the troubles but the repairs had not done yet.

2000 and recommended suitable dispose on 19 March 2015. An estimate of rs.1,461,300 had been obtained by an Agency on 10th May 2019 for 87 items on a request made by the driver to repair 13 problems including an oil leakage and alternator.

- b) Actions had not been taken to acquire 18 pieces of land relating to the Land utilized by the Sabha of the Sekkuwattaplay ground. Actions should be taken legally to acquire the lands utilized by Sabha. Those lands had been surveyed for the second time through the Divisional Secretary and sent them for the valuation department to obtain the valuation report.

3.2 Operational Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
02 Motor Graders had been worked in waste thinning from 01 April 2019 to 23 May 2019 and within that time one machine had been worked exceeding 10 hours a day for 37 days and the other machine worked exceeding 10 hours a day for 06 days. The average amount of garbage disposed by the 02 machines was only 03 loads of garbage even though the 02 machines had been worked at once about abnormal amount of 10-21 hours for 32 days. Garbage had not been brought to the Garbage Disposal Centre within the time period 14 May 2019 to 20 May 2019 for 07 days even though it had been paid Rs.745,00 on 132 hours the 02 Motor Graders.	The work should be supervised by an authorized officer when they are being done.	All the payments had been corrected by the Sabha on 12 March 2020.

3.3 Idled/ Underutilized Assets

Audit Observations	Recommendations	Comments of the Accounting Officer
The bailing Machine obtained on 29 December 2015 had been underutilized.	Actions should be taken to utilize the assets owned by the Sabha.	No Comments.

3.4 Procurement

3.4.1 Contract Administration

Audit Observations

Recommendations

Comments of the Accounting Officer

- | Audit Observations | Recommendations | Comments of the Accounting Officer |
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| (a) According to the orders of the Committee on Public Accounts held on 18 December 2018 actions had not been taken to make the Basket Ball Ground able to play in the Sekkkuwatta Playground which built of Rs.1,130,435 in the year 2016. | The Projects should be completed according to the relevant standards and those relevant assets should be made as to be able to use under the orders of the Committee on Public Accounts. | No Comments. |
| (b) The developments of 03 roads had been given to registered Societies under the External Provisions in the year 2018 for Rs.2,519,036. The payment reports had been made and sent for the Divisional Secretary to obtain money even though the constructions of these roads had not been done. | It is not suitable to request money for the projects not completed. | Inform that the payment reports had been sent with the vouchers to the Divisional Secretary in the consent of obtaining the provisions before the year 2018 over and payments had not been done. |
| (c) ABC had been laid and concrete stones had been stacked near the road for the III step of developing the internal road of the Compost Yard in Suduwella before assigning the contract to complete under the provisions of Rs.2,500,000. | The work should be started after making the agreements. | No Comments. |