

## Peliyagoda 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 28 February 2020 and the summary report of the Auditor General on the financial statements and the management report had been forwarded to the Chairman on 30 July 2020 and 18 September 2020 respectively.

##### 1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in this report, the financial statements give a true and fair view of the financial position of the Peliyagoda 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 qualified opinion

###### 1.3.1 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Library books purchased for Rs.336,149 during the year under review had not been capitalized	Capital assets acquired should be capitalized.	Inadvertently omitted. Action will be taken to rectify in the final accounts of 2020.
(b) An expenditure of Rs 377,339 incurred on constructing the front office had not been capitalized.	Expenditure on construction should be capitalized.	Inadvertently omitted. Action will be taken to rectify in the final accounts of 2020.
(c) Five vans and 05 trailers costing Rs.1,013,971 had been disposed of during the year under review. These not been deleted from the Motor Vehicles and Carts Account.	Capital goods disposed of, should be deleted from accounts.	Inadvertently omitted. Action will be taken to rectify in the final accounts of 2020.

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| (d) Physical stock balances had not been adjusted in the accounts. Instead, stocks amounting to Rs.5,687,871 had been brought to account in the ledger balance. | Physical stock balances should be maintained in the accounts. | Action will be taken to rectify the existing differences and to enter the physical stock in accounts. |
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### 1.3.2 Unreconciled Accounts

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) The balances of 04 item of accounts shown in the financial statement as at 31 December 2019 and the related balances shown in the subsidiary registers differed by Rs.13,959,625	Action should be taken to reconcile the difference in the related balances and rectify accounts.	Will be rectified while adopting the new accounting method.
(b) The difference between the total balances of 04 objects shown in the accounts and the schedule amounted to Rs.3,169,425.	Action should be taken to reconcile the difference in the related balances and rectify accounts.	Correct entries had been made in the register of expenditure. However, savings in objects, that is, wrong values of expenditure balances will be rectified.

### 1.3.3 Accounts Receivable and Payable

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Accounts Receivable  Action had not been taken to identify the Capital revenue receivable amounting to Rs.3,966,656 which continues for a long time.	Action should be taken to recover.	Receivables relate to a period prior to 10 years. Lack of information had resulted in showing this in the accounts. Action will be taken to adjust this in the accumulated fund in 2020 in order to regularize the account.

(b) Accounts Payable

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The expenditure creditors Rs.23,121,058 as at end of the year under review included balances of Rs.9,013,500 which continues from 2014 and Rs.1,228,379 which continues from 2017. Action had not been taken to settle them.

Action should be taken to settle.

This is due to overprovision of creditors in 2014 and 2017. Will be rectified in future.

**1.3.4 Lack of Necessary Documentary Evidence for Audit**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Two items of accounts aggregating Rs.5,170,666 could not be satisfactorily vouched in audit due to non-remission of schedules and share certificates as at 31 December 2019.	----- Information to confirm balances of accounts should be furnished.	----- These are past ledger account balances. Will be rectified in future. Lanka Electricity Company had offered these shares to the Council. Copies of certificates will be obtained and furnished.

**2. Financial Review**

**2.1 Financial Results**

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According to the financial statements presented, the revenue over recurrent expenditure of the Council for the year ended 31 December 2019 under review amounted to Rs.807,413 as compared with the revenue over recurrent expenditure of the previous year amounting to Rs.22,875,793.

**2.2 Revenue Administration**

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

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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			Total arrears as at 31 December Rs.' 000	2018			Total arrears as at 31 December Rs.' 000
	Estimated Revenue Rs.' 000	Revenue Billed Rs.' 000	Revenue Collected Rs.' 000		Estimated Revenue Rs.' 000	Revenue Billed Rs.' 000	Revenue Collected Rs.' 000	
Rates and Taxes	56,000	45,457	38,172	25,645	42,000	43,046	36,467	26,918
Rent	932	1,862	62	3,963	110	1,265	278	997
Licence Fees	1,800	1,956	1,919	-	1,400	1,427	1,421	6
Other Revenue	115	507	-	-	30	353	10	343
<b>Total</b>	<b>58,847</b>	<b>49,782</b>	<b>40,153</b>	<b>29,608</b>	<b>43,540</b>	<b>46,091</b>	<b>38,176</b>	<b>28,264</b>

## 2.2.2 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Agreements had not been entered into for 06 stalls engaged in business activities at the Public Market of the Urban Council. The period of agreement of 01 stall had not been specifically shown.	All conditions should be included in the agreement for stalls.	The names only of 04 lessees of the trade stalls of the Urban Council had been entered in the registers. Action will be taken to confirm this legally.
(b) The agreed period of 10 stalls of the public market of the Urban Council had expired on 31 December 1986. However, action had not been taken to renew the agreements.	New agreements should be entered into with regard to expired lease agreements.	Legal action is being taken to include the lessees in the agreements issued by local authorities.
(c) Out of the 28 trade stalls of the public market, 50 percent of the new assessments effective from 01 May 2018 had not been recovered since 31 December 2019.	Arrears should be recovered.	Fifty percent had been recovered from these 28 stalls till common amenities are provided to them. Action is being taken to recover the arrears of 50 percent.

### 3. Operating Review

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#### 3.1 Human Resources Management

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##### Audit Observation

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Although 16 out of 18 posts of the approved field labourers had been filled, no maintenance activities had been performed by employing the field labourers. Of these 16 labourers, 09 persons had been assigned for other functions. The remaining 07 persons had not been engaged in any work.

##### Recommendation

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The authorities concerned should assign duties to the field labourers and engage them in their duties.

##### Comments of the Accounting Officer

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It is proposed to set up a maintenance unit. The road labourers will be assigned with work from 01 July 2020 according to a properly prepared plan till such time.

#### 3.2 Matters of Contentious Nature

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##### Audit Observation

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External persons had filed against the Council a court case and the Chairman on 03 March 2010 claiming damages for Rs. 20 lakhs stating that the premises at 171, Negombo Road, Peliyagoda had been illegally demolished and goods had been stolen. The lawyer's fees paid in this connection amounted to Rs. 112,000. These lawyers had withdrawn from the case as their fees had not been paid and the lawyer who appeared finally had also stated that he would be withdrawing from the case. However, the case appears to be pending without settlement.

##### Recommendation

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Action to be taken for settlement of the case filed. Lawyer's fees should be effectively spent.

##### Comments of the Accounting Officer

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Summons had not been issued for the case after 2018. As such the Council had not taken action to appoint a new lawyer.

### 3.3 Assets Management

#### 3.3.1 Unused Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) A becko machine had been obtained by the Council on 02 July 2015 from the Ministry of Public Administration valued at Rs.17,649,179. This remained parked at the premises of the Council since that date. But, a sum of Rs.340,861 had been spent on insurance, servicing and repairs from that day upto 31 December 2019.	Action should be taken to utilize it efficiently.	This had not been used as the approval of the Council had not been obtained to hand over it to another institution.
(b) Three tractors used for garbage management remained inoperative since 27 January 2020.	Action should be taken to repair inoperative vehicles in order to make use of them.	Action had already been taken to repair.

### 3.4 Procurement

#### 3.4.1 Contract Administration

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The expenditure incurred on concreting a total linear feet of 1553.29 of 08 roads of the Bakinigahapillewa area during both years 2018 and 2019 amounted to Rs.2,858,399 and the ready-mix used was 133.76m <sup>3</sup> . The thickness of the concrete slab should be 04 inches as per estimates. But, the measurement obtained in 5 places by cross cutting showed that the thickness ranged from 2.75 to 35 inches. The overpayment made for 27.86 square meters amounted to Rs.445,202.	Should be alert about the thickness of the slab while constructing the road. Separate files should be maintained for each construction.	It is difficult to identify the correct spot of the road with reference to the files of road projects executed before 2019. Although the thickness of the concrete slab was 4 inches, the concrete spreaded may not be according to the expected level due to lack of various facilities. But, concrete had been fully spreaded in the area as per estimates.