

Ja-ela Pradeshiya Sabha

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 detailed management report had been forwarded to the Chairman on 31 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 Pradeshiya Sabha 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 Policies

Audit Observations	Recommendations	Comments of the Accounting Officer
Even though it had been stated that Stamp Duty for the year under review would be calculated on cash basis it had been calculated on accrual basis, therefore the revenue for the year and the debtors had been overstated by Rs.69,181,083.	The Stamp Duty Income should be calculated under the policies that had been declared.	Actions would be taken to correct by the Final Accounts for the year 2020.

1.3.2 Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) The Stock Balances of Medicine Centers of 04 Sub Offices of Rs.94,825 had not been accounted when accounting the Stock of Ayurvedic Medicine as at 31 December 2019.	The Closing Stock should be adjusted to the accounts.	Actions would be taken to correct by the Final Accounts for the year 2020.

(b)	Even though it should be paid Rs.5,265,000 for obtaining a Controlling Machine for the Compost Yard, Rs.4,875,000 had been accounted as Creditors.	The actual value of the liabilities should be realized and accounted.	Actions would be taken to correct by the Final Accounts for the year 2020.
(c)	Rs.1,648,498 of Gully Disposal Fees had been credited to the General deposit account and not adjusted to the income of the year under review.	The Sources of Income should be realized accurately and adjusted to the Income of the year.	Actions would be taken to correct by the Final Accounts for the year 2020.
(d)	The rent amounted to Rs.686,137 from Stalls not owned by the Sabha had been stated in the Financial Statements as receivable income and accounted as other revenue in arrears.	The revenue generated from the assets owned by the Sabha should only be accounted.	Inform that the amount of Rs.686,137 in the lease rent in arrears is from the Stalls not owned by the Sabha.
(e)	The Stock ledger balance of Rs.53,975,723 had been accounted without adjusting the physical stock value to the accounts.	Actions should be taken to calculate the physical stock.	Actions would be taken to correct.
(f)	The Water Motor received by the Sabha of Rs.402,500 on 01 July 2019 had not been capitalized.	Actions should be taken to make procurements under formal permissions and capitalize the capital items.	Actions would be taken to correct by the Final Accounts for the year 2020.

1.3.3. Unreconciled Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
A difference had been appeared of Rs.390,684,503 between 05 of accounts and its Subsidiary Registers as at 31 December 2019.	Actions should be taken to compare those differences and correct.	Actions would be taken to correct them in the future.

1.3.4 Receivable Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
Actions had not been taken to settle 08 account balances over a long time of Rs.6,627,135.	Actions should be taken to realize the parties relating to the receivable balances.	Inform that the actions would be taken to correct.

1.3.5 Lack of Necessary Documentary to Evidence for Audit

Audit Observations	Recommendations	Comments of the Accounting Officer
Age analysis for the balance of the miscellaneous creditors of Rs.40,641,900 as at 31 December 2019 had not been satisfactorily presented for the audit.	Evidence to confirm the balances of accounts in the financial statements should be furnished.	Actions would be taken to prepare a time analysis and forward.

1.3.6 Suspense Account

Audit Observations	Recommendations	Comments of the Accounting Officer
Suspense amount of Rs.236,425 had not been settled from the year 2000.	Actions should be taken to settle.	Inform that actions would be taken to settle

1.4 Non Compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>				
i. F.R 371(2)	762,700	The advance amounted to Rs.762700 taken on 18 December 2019 for the Fitness Competition had not been settled.	The advance settlements should be done under the Financial Regulations.	Inform that it would be settled in the future as soon as possible.
ii. F.R 571	135,709,827	Actions had not been taken to identify the balances of Rs.135,709,827 lapsed 10 years.	The balances should be identified under the Financial Regulations.	Inform that it would be corrected.

iii. F.R.880	-	The Deposits had not been obtained from 08 Officers who should keep Deposits.	Actions should be taken to obtain Deposits from relevant Officers.	Inform that Deposits would be obtained as soon as possible.
(d) Circular No.2018 e-local Government – 01 issued by the Commissioner of Local Government Western Province on 19 July 2018.	-	The facility to make payments through the internet had not been given to the public.	Public should be given the facility under the Circular.	Inform that actions would be taken to make it formal

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.137,137,461 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.183,525,635.

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	82,519	55,044	54,742	21,896	45,660	51,061	50,137	25,481
(ii) Rent	17,434	11,137	6,993	8,782	16,702	14,422	11,397	10,968
(iii) Licence Fees	3,010	2,305	2,305	-	1,755	2,067	2,067	93
(iv) Other Revenue	202,244	164,458	164,458	914	129,561	250,065	229,860	889
Total	305,207	-232,944	228,498	-31,592	-193,678	317,615	293,461	37,431

2.2.2 Rent

Audit Observations	Recommendations	Comments of the Accounting Officer
-----	-----	-----
(a) Weekly Fair in Ragama had been given to a lessee for a lesser amount of Rs.2,199,429 than the Government Valuation of Rs.3,000,000 without an agreement because no any tenderers had been presented for the year 2019 and the monthly rent had not been paid. The rent in arrears amounted to Rs.1,281,125 as at 31December 2019 and legal actions had not been taken against the lessee for not paying the monthly rent.	Actions should be taken according to the Procurement Procedures.	The lessee from the year 2018 had been given the Weekly Fair till the boundary would be decided by a Sabha decision and legal actions would be taken for the rent in arrears.
(b) 03 and 02 Meat Stalls respectively in Ragama and Kandana Weekly fair had been given to the same lessees from the year 2018 out of the Tender procedures for the year 2019 even though neglecting those lessees had not been paid the rent in arrears of Rs.8,473,590. Further the rent in arrears for the year 2019 had been Rs.29,294,407.	Actions should be taken to rent out the properties owned by the Sabha under the Procurement Procedures and prevent arrears.	Inform that the Meat Stalls had not been called for the tenders for the year 2019 and legal actions would be taken to recover the arrears of the year 2018.

2.2.3 Other Income

2.2.3.1 Stamp Duty

Audit Observations	Recommendations	Comments of the Accounting Officer
-----	-----	-----
The Stamp Duty income of Rs.268,333,636 from the Gampaha, Gampola and Negombo Land Registry Offices realized for the year 2018 and 2019 had not been recovered even until June 2020.	Actions should be taken to recover the Stamp Duty realized.	Some of the Schedules on the Stamp Duty income receivable from the relevant offices had been forwarded to the Provincial Commissioner of Revenue while some other schedules are being prepared.

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 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, public utility services and public thoroughfares, public comfort, convenience and welfare.

3.1.1 Annual Performance Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
Matters like valuation of the properties every 05 years, prepare a schedule on roads, acknowledge people on their issues in the application within 5 days, and sign annual performance agreements with the whole staff had not been done.	Activities should be completed according to the annual performance plan.	Inform that actions would be taken formally with the correction.

3.2 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
A Micro Cab of Rs.6,280,000 had been brought by a Loan obtained by the Local Loans Development Fund to pay back by 20 Loan Installments but it had been informed vehicle was subjected to various defects from the date it purchased. 45 percent of the value of the vehicle that was Rs.2,854,594 had been paid for the repairs whole 10 years it had been used and according to the running charts it had been run only for 02 years and 04 months.	Actions should be taken with sufficient consideration about economically buying behaviour.	Inform that vehicle is being used under defects and expensive repairs because it had not been given permission to sell a vehicle and purchase a new one under the Treasury Circulars.

3.3 Operational Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
a) Actions had not been taken to acquire the Common Land for the public facilities of about 40 perches that should be received according to the Conditions of Acceptance when selling land slots in the year 2006 by a real estate institute to the Sabha by a deed.	Actions should be taken to acquire the possession of the lands that should be owned to the Pradeshiya Sabha as soon as possible.	Inform that legal actions are being taken to acquire the possession of the lands therefore a rates Number had been issued to forward the Documents.
b) Outsiders had taken over a land of 10 Acres that had not been acquired when establishing the Pradeshiya Sabha in the year 1986 for the public purpose when selling the Starten Estate land by slots. A private institute had being using this land even though 69 perches of land had been agreed to be given on Public Purpose it had not been acquire to the Pradeshiya Sabha.	Actions should be taken to acquire the possession of the lands that should be owned to the Pradeshiya Sabha as soon as possible.	Although a land of 10 Acres had been allocatted to the Sabha by the Plan No.759/63 in 1963 the Private Institute had been agreed to give a land of 67.05 perches from a part not allotted.
c) Material of Rs.35,681,094 had been issued by the Sabha for the roads maintenance from January 2018 to July 2019 without estimates.	Material should not be issued without making estimates.	Inform that estimates had been prepared for all the projects.

3.4 Assets Management

3.4.1 Board of Survey

Audit Observations	Recommendations	Comments of the Accounting Officer
According to the Board of survey carried out for the year under review and the Schedules on Property it had been reported that 38 Properties could not be realized, a house was there for the public well at the Station Road and Lands in Hidawakagahawatta and Godaparagahawatta of 42.45 perches owned by the Batuwatta Sub office could not be realized and actions had not been taken up to now.	Actions should be taken to acquire the possession of the lands owned by the Sabha.	Inform that immediate actions are being taken about the loss of properties.