

**Ja ela Pradeshiya Sabha**

**Gampaha District**

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 16 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 28 January 2014.

1.2 **Opinion**

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Ja – ela Pradeshiya Sabha for the year ended 31 December 2012 presented for audit.

1.3 **Comments on Financial Statements**

1.3.1 **Accounting Deficiencies**

The following deficiencies were observed.

- (a) Land and buildings valued at Rs.10,099,000 had been capitalized less by Rs.100,000.
- (b) The value of 07 buildings constructed during the year under review had been capitalized at the estimated value instead of the value of work done. Therefore, land and buildings had been overstated in the accounts by Rs.438,043.

- (c) Provisions had been made for creditors in respect of 02 construction projects funded by Item of Expenditure 304-4 during the year under review and therefore, creditors balance had been overstated in the accounts by Rs.735,461.
- (d) The plot of land to the extent of 29.38 Perches allocated for common facilities while approving the plan No.4611/L on 08 June 2012 had not been acquired by a title deed even by 27 August 2013; the date of audit examination and this land had not been capitalized in the financial statements under land and buildings.
- (e) Interest amounting to Rs.1,097,056 received for fixed deposits for the year under review had not been taken to revenue.
- (f) Court fines amounting to Rs.50,000 received during 2012 had been accounted as deposits instead of taking to revenue for the year.

1.3.2 **Lack of Evidence for Audit**

Transactions totaling Rs.9,819,876 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. **Financial and Operating 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 2012 amounted to Rs.119,082,878 as compared with the excess of recurrent expenditure over revenue amounting to Rs.51,052,758 for the preceding year.

## 2.2 **Financial Control**

- (a) Differences were observed between the balance of the cash book and the balance taken for the preparation of the Bank Reconciliation Statement.
- (b) There was a balance of Rs.318,720 in the dishonored cheques account as at 31 December and action had not been taken to settle this.

## 2.3 **Suspense Accounts**

The total of the credit balances of the suspense accounts as at 31 December 2012 brought forward for over a number of years amounted to Rs.236,425.

## 2.4 **Revenue Administration**

### 24.1 **Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	32,758	33,677	33,757
Lease Rent	4,218	4,422	10,231
Other Revenue	9,133	9,343	2,783

According to the above information, the progress of recovery of revenue was 50%.

#### **2.4.2 Rates and Taxes**

- (a) The balance of rates and taxes in arrears as at 31 December 2012 amounted to Rs.34,969,180 and the total of balances over Rs.10,000 amounted to Rs.2,756,045.
- (b) According to Circular No.80/46 dated 31 December 1980 of the Commissioner of Local Government, stall rent and rates and taxes should be assessed at least once in 05 years, But, assessments had not been done after 2001.

#### **2.4.3 Lease Rent**

- (a) Revenue receivable from the meat stalls owned by the Ragama Sub – office as at 31 December 2012 amounted to Rs.3,460,942 and it included balances of 5 to 15 years old totaling Rs.2,662,500.
- (b) Revenue receivable from meat stalls not belong to the Sabha amounted to Rs.1,533,273. Although these balances relate to 5 to 20 years , action had not been taken to recover these.

#### **2.5 Idle and Underutilized Resources**

The Sabha owns a fleet of 34 vehicles and the following observations are made.

- (a) The Double Cab handed over to the Army had been returned on 27 February 2009. It had been parked idling for over 03 years due to defects in the engine and action had not been taken to repair or auction it.
- (b) Two vehicles and 03 machines were inoperative for over a long period and no action had been taken to repair or auction it.

2.6 **Irregular Transactions**

Information such as places travelled, mileage, officers travelled and the signature of the officer used the vehicle had not been recorded in the running charts in respect of a van for the period 18 December 2011 to 31 January 2012. However, it had been mentioned in the running charts that 637 liters of fuel had been used and this situation could not be accepted in audit.

2.7 **Uneconomic Transactions**

(a) **Security Services**

Although there are 13 in the security service staff of the institution, 10 persons had been obtained from outside extraneous to the above for security service and a sum of Rs.1,933,970 had been paid for the services.

(b) **Hire of Vehicles**

(i) A tractor and a lorry had been taken on hire for the maintenance works of Electricity Division and for removing waste; even though the Sabha owns 18 tractors and 02 lorries. A sum of Rs.748,000 and Rs.734,450 respectively had been paid for the vehicles for the year 2012.

(ii) The person who supplies the vehicle on hire should have the legal ownership of it and a full insurance cover should be available for the vehicle in respect of vehicles taken on hire. However, these requirements had not been fulfilled in respect of the vehicles taken on hire.

(iii) The tractor taken on hire from 01 October 2011 for a period of 01 year had been used up to 30 September 2013; even though the Sabha had purchased 02 new tractors in the years 2012/2013.

(iv) An excavator had been obtained on hire basis and a sum of Rs.619,750 had been paid for it due to the break –down of Travels Motor of the Excavator bearing No .PC – 60 owned by the Sabha. However the file relating to the PC-60 and the

daily running charts of it does not show any need of repairing or any repair carried out to the excavator.

- (v) The Sabha owns 03 excavators and 02 of this are inoperative. But, action had not been taken to find out the possibility of repairing and put to use these excavators effectively.

## 2.8 **Legal Matters Initiated Against the Sabha or by the Sabha**

- (i) Four outside parties had field 04 court cases against the Sabha claiming compensation amounting to Rs.3,495,169.
- (ii) The institute had field a case at the National Arbitrary Board against an outside institution claiming compensation amounting to Rs. 4,300,000 in respect of a construction contract. Although the judgement had been given to pay the above compensation to the Sabha, an appeal had been made on the above case.

## 2.9 **Solid Waste Management**

The quantity of waste generates within the area of the Sabha per day is 42 Tons and of this only 26 Tons of waste is collected per day. The following observations are made in this connection.

- (a) The waste collected within the area of the Sabha had not been sorted out as degradable and undegradeble waste.
- (b) Degradable waste use for the compost project is 05 to 10 Tons per day and the balance waste (degradable/undegradeble) had been dumped on a private land at Nedurupitiya.

(c) But, this had caused so many difficulties to the people living in the area and the Public Health Inspectors had examined this situation time to time and had reported the following matters

- Bad smell within the area
- Dogs, cattle and pigs gather
- Disposal of waste by outsiders without permission
- Waste (Polythene, papers) scatter here and there due to wind
- Risk of catching fire

#### 2.10 **Performance**

According to the 04 year plan it had been expected to implement 07 projects estimated at Rs.28,000,000 during the year 2012 and action had not been taken to commence these projects even by September 2013.

#### 3. **Systems and Controls**

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Internal Audit
- (c) Budget
- (d) Revenue Administration
- (e) Assets Management
- (f) Vehicle Utilization
- (g) Waste Disposal