

Gampaha Municipal Council

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 27 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Mayor of the Municipal Council on 31 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Gampaha Municipal Council give a true and fair view of the financial position as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) The sum of Rs.4,674,849 due on 09 projects completed under the decentralized and the provincial aid during the year under review had not been included under debtors.
- (b) An arrears of revenue of Rs.1,585,437 had been brought to account in excess of the value of a project of the Provincial Council Aid Project.
- (c) The balance of the stock Control Account amounting to Rs.8,567,764 had been brought to account instead of the verified stock balance of the General Stores of Rs.8,369,662 as at 31 December of the year under review.
- (d) The value of four categories of fixed assets received from 03 institutions during the previous year and the year under review had not been assessed and brought to account.
- (e) The value of damaged stocks amounting to Rs.86,548 as per verification of stocks as at 31 October 2017 had not been adjusted in the accounts.

1.3.2 Unreconciled Accounts

The following matters were observed.

- (a) A difference of Rs.3,087,138 existed between the financial statements and the related schedules with regard to 02 items of accounts.
- (b) The total of Revenue contributions to Capital Outlay Account and the Aid Contributions to Capital Outlay Account differed from the total of fixed Assets Account by Rs.2,102,447.

1.3.3 Accounts Receivable and Payable

The following matters were observed.

(a) Accounts Receivable

- (i) The balance of pre payments as at 31 December 2017 amounted to Rs.8,091,962. Of this, a sum of Rs.8,021,962 was recoverable as at 15 August 2018.
- (ii) A cheque for Rs.18,250 received on 28 November 2008 had been dishonoured for which cash has not been recovered even as at 15 August 2018.

(b) Accounts Payable

The sum of Rs.13,500 in the Employees' Security Deposits Investment Account had been continuously shown for a period prior to 06 years.

1.3.4 Lack of necessary documentary Evidence for Audit

Non rendition of Information for Audit

A sum of Rs.51,750 had been paid to a certain private institution in January 2016 for which there was no evidence to show that the Council had received a consideration even as at 15 August 2018.

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

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Special Provisions relating to Local Authorities Act No.48 of 1971		Although rates and taxes should be revised every 05 years, rates had not been revised after 2008.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulation 571(2)	17,148,718	Action had not been taken regarding balance of deposits over 02 years.
(ii) Financial Regulation 756(2)	-	Action had not been taken to properly appoint the board of survey.
(iii) Financial Regulation 756(5) a,b	-	The general specimen form to be used by the board of survey had not been made use of, for verifications.

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 2017 amounted to Rs.37,534,963 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.40,762,544.

2.3 Revenue Administration

2.3.1 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	2017				2016			
	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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	64,566,458	64,640,457	65,825,622	44,533,775	63,657,500	63,062,050	62,648,459	45,354,444
Rent	30,502,956	37,312,145	22,866,353	27,875,217	23,560,250	22,745,096	21,111,864	13,392,325
Licence Fees	4,517,800	4,522,214	4,504,214	286,225	4,364,250	3,828,358	3,837,508	268,225
Other Revenue	272,216,844	260,215,722	274,118,325	201,486,626	387,965,880	338,170,804	278,016,434	215,389,229

2.2.2 Rates and Taxes

According to the age analysis, the arrears of rates and taxes of Rs.34,081,661 as at 31 December 2017 included Rs.2,055,751 over 10 years, Rs.11,707,321 of 5 – 10 years, Rs.10,353,664 of 2 – 5 years and Rs.9,964,924 of 1 – 2 years. Necessary steps had not been taken to recover these arrears.

2.2.3 Business Tax

No recoveries had been made from the arrears of business tax over 5 years amounting to Rs.442,650.

2.2.4 Court Fines and Stamp Fees

Court fines amounting to Rs.10,966,320 and stamp fees amounting to Rs.44,250,130 were receivable as at 31 December 2017 from the Chief Secretary of the Provincial Council and other authorities.

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 4 of the Municipal Council Ordinance, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Bye-Laws

Although bye-laws were required to be enacted for 32 main functions in terms of Section 272 of the Municipal Councils Ordinance, bye-laws have been enacted for 18 functions only by 31 December 2017.

(b) Action Plan

Eight functions to be fulfilled by the Council as per bye-laws enacted had not been included in the annual Action Plan.

(c) Delay in Execution of Work

Delays were observed in executing the following work.

Function -----	Estimated Cost ----- Rs.	Expected Date of Commencement -----	Date of Commencement -----	Reason for Delay -----
Providing a public bathing well on the Yakkala East Weralawaththa main road.	154,596	10.08.2017	Not commenced	Adverse weather
Renovations to the road leading to Aluthgamoda village .	500,000	10.08.2017	Not commenced	-
Programme for developing the capacity in activities relating to the office of the Gampaha Municipal Council by using the Global Information System Technology and the Information Technology	1,000,000	Not mentioned	Not commenced	Delay in collecting information

(d) Solid Waste Material Management

An agreement had been entered into with a land owner living outside the area of the Council for disposal of garbage generated within the area of the Council in a land owned by the land owner. It had been agreed to pay Rs.2,350 per ton of garbage. However, the Council had adopted the basis of tractor loads for disposal of garbage. Accordingly, a sum of Rs.10,786,500 had been paid to the land owner in 2017 by adopting an irregular method instead of the agreed rate and without obtaining invoices.

(e) Sustainable Development Target

The Council was unaware of the 2030 Agenda relating to the sustainable development target. As such, a long term plan for uplifting the health and living standards of the public within in the area of the Council to achieve those objectives through global indicators had not been prepared even by 15 August 2018.

3.2 Management Inefficiencies

The following instances were observed.

- (a) According to the lease agreement for the lease of the trade complex situated in the circuit bungalow land belonging to the Council, action should have been taken to prepare bills for the total monthly lease rent of Rs.4,447,710 for 5 months, that is, September 2017 to January 2018. Action had not been taken accordingly.

- (b) A proper register of licences including details such as, fees collected for environmental licences, dates of issue of licences and acknowledgements for licences issued had not been maintained. Although 19 businesses had been identified for issue of environmental licences, licences had been issued for 10 businesses only.

3.3 Human Resources Management

(a) Vacancies and Excesses in the Cadre

Details of approved and actual cadre of the Council as at 31 December 2017 appear below.

Grade	Approved Cadre	Actual Cadre	Vacancies	Excess
Senior	09	05	04	-
Tertiary	03	02	01	-
Secondary	112	126	09	21
Primary	233	203	30	-
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	357	336	44	21
	=====	=====	=====	=====

Approval had been granted for 02 posts of Municipal Accountants. However, one post was vacant since 01 January 2013.

(b) Employees' Loans

- (i) Loan balances over 15 years amounting to Rs.188,261 and balances over 5 years amounting to Rs.270,938 were due from employees gone on transfers and who had retired from the service.
- (ii) House rent of Rs.78,702 recoverable from employees of the Council occupying quarters had not been recovered due to retirement/death/transfers.

3.4 Assets Management

3.4.1 Idle /Under utilized assets

Stone rollers, a condemned trailer, 02 road compactors, a generator and a grass cutting machine which were beyond usage since 2016 had been recommended to be sold or repaired by the board of survey 2017. But, action had not been taken accordingly.

3.4.2 Assets not Acquired

Action had not been taken by the Municipal Council up to now to acquire ownership of 03 motor vehicles valued at Rs.26,891,063 handed over to the Municipal Council by the Ministry of Local Government in 2015, although these had been brought to account.

3.4.3 Annual Board of Survey

- (a) A register of inventory had not been maintained for inventory items.
- (b) According to the library verification report as at 31 December 2017, 34 books valued at Rs.4,009 had been misplaced. 308 books beyond usage had been valued at Rs.48,359.

3.5 Contract Administration

The following matters were observed.

(a) Project for Breeding Ornamental Fish

An ornamental fish project had been executed during the year under review on behalf of Poverty Alleviation Year on the basis of an estimate prepared for Rs.1,000,000 by an Engineer. The following observations are made in this regard.

- (i) The Engineer's estimate contained figures only without a specific plan and an accepted measurement unit
- (ii) Action had not been taken to entrust the contract to a community based organization on a direct method while selecting the contractor for this project as required by State Accounts Circular No.01/2012 of 05 January 2012.
- (iii) According to the contract agreement, cemented tanks for breeding fish should be given to beneficiaries. However, raw materials to construct tanks had been given to 06 beneficiaries while a sum of Rs.240,000 had been paid to the contractor for 12 tanks at the rate of Rs.20,000 per tank.

(b) Construction of the Shopping Complex at Yakkala

An agreement had been entered into with a private company dealing with contracts to construct the Yakkala Shopping Complex within 09 months from 02 January 2009. But, the construction work of this shopping complex had not been completed up to 15 August 2018. A sum of Rs.70.9 million had been paid to the company from 09 April 2009 to 08 August 2016 which also included a 20 per cent advance. A sum of Rs.12 million only had been recovered from the advance granted by 31 December 2017.

4. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Council from time to time. Special attention is needed in respect of the following areas of control.

System -----	Deficiency -----
(a) Revenue Administration	(i) Non assessment of rates and rent of stalls. (ii) Existence of under utilized stalls. (iii) Percentage of rates and taxes not being revised.
(b) Budgetary Control	(i) Budget not practically applicable. (ii) Irregular transfer of funds among Objects.
(c) Assets Management	(i) Entries not being made in registers for purchase and issued of stocks. (ii) Assets brought to account without physical existence. (iii) Lack of title deeds or vesting orders to confirm ownership of assets. (iv) Lack of policy for accounting of fixed assets. (v) Lack of registers of inventories.
(e) Solid Waste Material Management	(i) Inadequacy in bringing awareness among the public to segregate garbage. (ii) Excessive expenditure being incurred on disposal of garbage.