

JaEla Urban 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 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 25 September 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 JaEla Urban 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 accounting deficiencies were observed.

- (a) The sum of Rs.500,000 received on 26 January 2017 to construct a basketball playground had been brought to account as capital aid receivable resulting in an overstatement of debtors by a similar amount.
- (b) Sundry creditors of Rs.38,975 paid in 2018 with regard to the year under review had not been shown as accruals as at 31 December 2017.
- (c) Stores creditors of Rs.334,500 paid in January 2018 with regard to the year under review had not been brought to account as at 31 December 2017.
- (d) Electrical and general stores goods totally valued at Rs.8,360,081 purchased during the previous year had been entered in the stores creditors account. In order to rectify this, entries had been made in the General Stores Account alone.
- (e) Electrical and general stores goods totally valued at Rs.7,716,980 had been issued during the previous year through the creditors account. In order to rectify this, entries had been made in the General Stores Account alone.

- (f) A trailer had been sold by auction at the disposal of vehicles during the year under review. Its cost of Rs.285,000 had not been deleted from the Motor Vehicles and Carts Account.
- (g) The capital aid receivable for 04 projects as at 31 December 2017 amounted to Rs.4,100,417. However, a sum of Rs.3,690,300 only had been brought to account resulting in an understatement of the account by Rs.410,118.
- (h) The sum of Rs.5,341,849 which had been included in the unclaimed creditors of Rs.13,740,346 had not been confirmed as unclaimed. This had been adjusted in the Accumulated Fund.

1.3.2 Unreconciled Accounts

Variances between the accounts furnished as at December 2017 and the balances appearing in the schedules/registers with regard to 04 items aggregated Rs.1,921,189.

1.3.3 Accounts Receivable and Payable

- (a) Action had not been taken to recover the value of dishonoured cheques amounting to Rs.241,295.
- (b) The credit balance of Rs.200,479 in the revenue received in advance account as at 31 December 2017 had not been identified and settled.

1.3.4 Lack of Necessary documentary Evidence for Audit

Non rendition of Information for Audit

Three items of accounts totalling Rs.37,645,626 could not be satisfactorily vouched in audit due to non rendition of registers, schedules and detailed information.

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) Urban Councils Ordinance(Chapter 255) 84	-	Action should be taken to demolish unauthorized land and buildings.

(1)

However, 08 blocks of land at the entrance to the Colombo-JaEla expressway had not been halted/demolished.

(b) Letter of the Commissioner of Local Government No.LGD/06/02/04 of 30 August 2017

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Buildings had been constructed by obtaining money in advance from stall owners. In order to vest the ownership of stalls and to vest them with sub lessees, not less than 60 percent of the monthly lease rent had been recovered on the basis of new assessment. Although it was able to vest them before 31 March 2018, the assessment done every 05 years had not been made. As such, these could not be vested with the sub lessees before 31 March 2018 and the Council had been deprived of an extensive revenue.

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.29,109,990 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.21,407,740,

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	2017				2016			
	Estimated Revenue Rs.'000	Revenue Billed Rs.'000	Revenue Collected Rs.'000	Total arrears as at 31 December Rs.'000	Estimated Revenue Rs.'000	Revenue Billed Rs.'000	Revenue Collected Rs.'000	Total arrears as at 31 December Rs.'000
Rates and Taxes	36,675	41,804	26,630	21,011	36,708	41,128	23,073	20,810
Rent	8,560	8,875	8,835	-	7,860	7,723	6,748	-
Licence Fees	462	1,330	1,330	-	482	462	462	-
Other Revenue	64,369	28,626	28,626	172	41,023	17,137	17,137	4,396

2.2.2 Performance in Collection of Revenue

The following observations are made.

- (a) Feasible estimation had not been made for recovery of licence fees during the year under review as the estimate had exceeded by 187.9 per cent.
- (b) The collection of other revenue was only 44.5 per cent of the estimated amount of the year under review.

2.2.3 Rates and Taxes

Rates and taxes valued at Rs.1,464,475 had been written off during the year under review due to demolition of houses. However, the number units of rates demolished had not been confirmed by the respective Grama Niladharies.

2.2.4 Licence Fees

Licence fees of Rs.394,389 had been recovered from bakeries and rest houses of the urban area registered at the Ceylon Tourist Board under the Tourism Development Act. Fees not exceeding 1 per cent of the total turnover based on the audited financial Statements of the previous year had not been identified and recovered.

2.2.5 Rent

Action had not been taken to give on lease 05 stalls of the public market which had been taken over by the Council due to various reasons.

2.2.6 Other Revenue

(a) Fees for Disposal of Garbage

Fees for removal of garbage had been collected from private institutions without enacting rules.

(b) Stamp Fees

Stamp fees revenue for the period August 2014 to December 2017 had not been recovered.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Council in terms of Section 4 of the Urban Councils 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) Delays in Execution of Work

- (i) Agreement had been entered into on 14 December 2016 to supply and install poles at the basketball playground for Rs.1,050,000 within 03 months. But, the work had not been executed even by 31 May 2018.
- (ii) An agreement had been entered into on 29 December 2017 for Rs.1,130,435 to apply remix at the basketball playground. But, the date of completion of work had not been mentioned in the agreement. The work had not been completed even by 31 May 2018. Meanwhile, a sum of Rs.1,000,000 had also been obtained from the Ministry of Sports, Western Province for this work.

(b) Solid Waste Material Management

Garbage not subjected to composting and recycling had been disposed of, at the Suduwella Garbage Sector. This had not been covered with soil and as such the environment had been badly affected by very bad smell, increase of flies and mosquitoes etc..

(c) Sustainable Development Target

The Council had not been made aware of the 2030 Agenda of the United Nations relating to Sustainable Development objectives.

3.2 Management Inefficiencies

- (a) Nugagaha paddy field of 11 acres, 01 rood and 19.2 perches had not been surveyed and separated as the land belonging to the Council. It was revealed that unauthorized settlements were in the land. But, proper action had not been taken to demolish those unauthorized houses
- (b) Action should have been taken to control unauthorized constructions in terms of the Circular No.W/LPD/15/2008 of 20 November 2008 of the Commissioner of Local Government. In terms of the District Secretary's letter No.GM/DS/President meeting/2016, reclamation of all paddy lands and low lands within the Western Province

had been banned and action should be taken not to allow to do so. Although such an instruction had been given, the following deviations had occurred.

- (i) The entrance of the expressway with paddy lands on its right side had been filled with soil across the streamway and completely concreted and it had been directly connected to the entrance of the Ja-ela, Colombo expressway.
- (ii) A building had been constructed with parapet walls for a vehicle repair centre by filling soil in the paddy field across the streamway connecting the Mahaela of the Ja-ela Kala Eliya Sovis Mawatha Thotupola Road. As a result, the streamway had become narrow as water could not flow freely. Although this had been accepted as an unauthorized construction, action had not been taken in this connection and the Urban Council had issued a business licence to this centre.
- (iii) The Secretary of the Council had recommended to issue a compliance certificate for an application forwarded without completing any of the particulars called for, in the application form for constructing a storied building close to the road at the Rilaula junction. The entire land had been used for construction contravening all the approved requirements.

3.3 Assets Management

Unsettled Properties of the Council

The Council was not in possession of title deeds/vesting orders for 17 immovable properties. Action had not been taken to settle the ownership and to identify the extent of these properties. Further, attention had not been paid to the letter of the Commissioner of Local Government, Western Province No.LGD/06/B/02/General of 20 September 2010 which refers to vesting orders in respect of state lands used by local authorities.

3.4 Procurement

3.4.1 Supply and Services

The security company which entered into an agreement to provide security services to the Council from 04 April 2017 to 04 April 2018 had informed after 03 days that it was unable to provide security services. But, the loss caused to the Council could not be recovered as the bank guarantee for Rs.250,000 obtainable as per agreement had not been obtained. Later, a private company had been selected to provide security services. It was revealed that security officers had not been properly posted in each place as referred to in 17(a) of the agreement.

3.4.2 Contract Administration

- (a) A sum of Rs.247,794 had been spent to lay stones and to tar the 120 ft Kapala Kanda road (Hospital Road). The entire work of this project, namely, preparation of estimates, approval of provision, calling for quotations, signing of agreements, execution of work and making payments had been named as Kapala Kanda Road (Hospital Road). However, the technical officer of the Council had failed to show this portion of road renovated during an on the spot examination carried out on 22 November 2017. Instead, another road that had already been renovated had been shown.
- (b) A sum of Rs.305,615 had been paid on 23 December 2011 to concrete the inner road of the Wewala Shantha Rita Road for which an agreement had been entered into on 09 November 2011 for Rs.391,991 to complete the work in 01 month. But, the concreting work had been completed before entering into the agreement. Further, the lady who owned the portion of land bearing survey No.07 of this road had lodged a complaint against this concreting in the Negombo District Court on 04 October 2011 stating that a portion of her land had been acquired by the Urban Council. As the owner had erected poles across the road, the Urban Council had also filed 2 cases and had spent Rs.35,000 as legal fees during 2017.

The following observations are made in this connection.

- (i) It had been confirmed that this road is not the property of the Urban Council according to the letter of the Assistant Commissioner of Local Government, Gampaha dated 18 April 2016.
- (ii) It had been decided on 18 September 2017 to remove the concrete portion along the boundary of the road bearing Survey Plan No.07, causing significant loss to the Council.

4. Systems and Controls

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

System	Deficiency
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(a) Revenue Administration	Lack of confirmation from Grama Niladhari to write off rates.
(b) Accounting	Variations in balances of accounts
(c) Unauthorized Constructions	Unauthorized constructions not being regularized
(d) Assets Control	Action not being taken to identify the assets of the Council