

Peliyagoda 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 Peliyagoda 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 aid receivable for 17 projects executed during the year under review amounted to Rs. 1,401,578. This had not been brought to account.
- (b) Although a sum of Rs.126,207 was payable for security services, the amount brought to account in the Revenue and Expenditure Account and the Creditors Account was Rs. 1,236,207. As a result, the expenditure and the liabilities had been overstated in the accounts by Rs.1,110,000.
- (c) The accrued capital expenditure of Rs. 288,697 as at 31 December 2017 had not been brought to account. As a result, the capital expenditure and the creditors had been understated in the accounts by similar amounts.
- (d) Out of the advances granted during the year under review, a sum of Rs.19,260 remained unspent. This had been credited to the Accumulated Fund resulting in an overstatement of the Accumulated Fund by a similar amount.

- (e) The expenditure on fuel amounting to Rs.220,891 payable as at 31 December 2017 had not been brought to account as creditors and the expenditure on fuel.
- (f) The expenditure of Rs.3,982,027 incurred on purchasing a generator during the year under review had been brought to account as recurrent expenditure of the year instead of capital expenditure. This asset had not been capitalized.
- (g) Goods purchased for Rs.26,795 as at 31 December 2017 had not been accounted in the Stores Account.

1.3.2 Unreconcilal Accounts

- (a) The difference between the accounts and the schedules / registers as at 31 December 2017 with reference to 05 items of accounts aggregated Rs.588,656.
- (b) According to the Goods Received Notes of the stores, the goods received during the year under review amounted to Rs.4,106,319. However, it amounted to Rs.3,112,365 as per Stock of Stores Account resulting in a difference of Rs.993,954. According to the Stores Issued Notes, goods for Rs.2,142,493 had been issued from the stores during the year under review. However, it was Rs.3,956,516 as per accounts resulting in a difference of Rs.1,814,023.

1.3.3 Accounts Receivable and Payable

Accounts Receivable

- (i) Action had not been taken to settle the aid receivable amounting to Rs.3,966,656 existing since 2014.
- (ii) Action had not been taken to recover Rs.192,715 recoverable as per Dishonoured Cheques Account as at 31 December 2017.

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

Action had not been taken to settle the retentions of Rs.123,345 and the tender deposits of Rs. 55,280 existing for over 02 years as required by Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of expenditure over recurrent revenue of the Council for the year ended 31 December 2017 amounted to Rs.12,932,516 as against the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.20,996,351.

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	40,500	41,450	42,792	26,754	40,000	40,197	44,023	28,096
Rent	3,499	3,229	3,264	103	2,424	1,250	2,285	139
Licence Fees	2,127	1,990	1,990	-	1,522	2,308	1,284	-
Other Revenue	19,480	6,353	6,353	-	17,899	15,604	15,603	-

2.2.2 Performance in Collection of Revenue

The following observations are made.

- (a) A sum of Rs.7,954,586 only of the arrears of rates and taxes of the previous year amounting to Rs.28,095,593 had been recovered during the year under review and the recovery was 28 percent.
- (b) Out of the arrears of rent of the previous year amounting to Rs.138,910, a sum of Rs.60,077 only had been recovered during the year under review which represented 43 percent.
- (c) The amount billed as other revenue amounted to Rs.6,352,773 and the estimated amount was Rs.19,480,000. Therefore, feasible estimation had not been made.

2.2.3 Licence Fees

- (a) Licence fees of Rs.137,959 had been recovered under the Tourist Act from 02 rest houses within the area of the Council registered under the Ceylon Tourist Board Act. Fees not exceeding 01 percent of the total turnover based on the previous year's audited financial statements had not been identified and recovered.
- (b) Action had not been taken to revise the licence fees, industrial tax and the business tax periodically so as to increase the revenue of the Council. The fees for licences, businesses and industries laid down by the Urban Councils Act in 1988 had been applied for recoveries of the year under review too without any revision, whatsoever.

2.3.4 Stamp Fees

The revenue estimated from stamp fees for each of the years 2015,2016 and 2017 as per budget amounted to Rs.10,000,000. However, action had not been taken to obtain the said revenue from the office of the Land Registry.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Council in terms of Section4 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) Action Plan

An Annual Action Plan had not been prepared with regard to the functions to be fulfilled by the Council.

(b) Projects not Executed

Although 07 projects for Rs.5,780,382 had been estimated and procurement activities commenced for the year under review by using the funds of the Council, the projects had not been completed.

(c) Delay in Execution of work

Equipment had been purchased for Rs.222,120 on 01 November 2017 to construct a front office, The front office had not been commenced up to 14 May 2018.

(d) Solid Waste Material Management

(i) The Urban Council had entered into an agreement with the Waste Material Management Authority for disposal of segregated degradable garbage at the Dickowita Bio-Gas Sector of the Authority from 17 March 2017 to 16 March 2018 at the rate of Rs.592 per ton. But, 76.18 tons of garbage at the rate of Rs.5,000 per ton had been disposed of, at the Kerawalapitiya Garbage Sector of the Land Reclamation and Development Corporation of the Ministry of Metropolitan and Western Development. Recommendations had been made to pay Rs.1,198,875 in this regard.

(ii) Due to the lack of capacity at the Dickowita Project to compost the entire segregated degradable garbage, disposal of garbage had been carried out in an approximate 02 acre barren land at Peliyagoda Dutugemenu Mawatha close to Colombo - Katunayake Expressway belonging to the Urban Development Authority. This had created many problems as it affects the environment as disposal takes place in an open land. Accordingly, disposal of garbage had not been beneficially managed.

(e) Sustainable Development Target

The Council was not aware of the 2030 Agenda of the Sustainable Development target of the United Nations Organization.

3.2 Management Inefficiencies

(a) A committee had not been appointed regarding the misplacement of keys of 02 cabs and a becko machine belonging to the Council. The report of 10 August 2017 in this regard

had decided that the security services was responsible for this and it would be suitable if the expenditure to be incurred on replacement of 03 new keys to the vehicles could be recovered from the Security Services (Pvt) Company. However, action had not been take even by 07 December 2017 to replace the keys or to recover the loss from the Security Services (Pvt) Company.

- (b) A sum of Rs.620,722 had been invested in a savings account as at 31 December 2017 without being invested in a higher interest earning investment.

3.3 Management Inefficiencies

- (a) An expenditure of Rs.249,922 had been incurred under the Decentralized Budget Programme on concreting the III rd land of Olu Pokuna Waththa by spreading stones. This road consisted of an unauthorized temporary housing complex situated in a land which belonged to the National Housing Development Authority and not belonging to the council.
- (b) The annual lease period of the property bearing Rate No.114 in the middle of town had lapsed on 28 July 2016. As such, on 02 September 2016 the finance committee decided to acquire it in favour of the Council for future development activities. But, the lessee had carried on business activities along with constructions up to 13 December 2017 without approval. The Council had failed to get back this land possessing a higher economic value.
- (c) The lowest rate of monthly rent as agreed 25 years ago continued to be recovered for 28 stalls of the Council contravening the provisios in the Circular of the Department of Local Government No 46 of 31 December 1986. These stalls had been established in the Peliyagoda Urban area with a higher population and a higher economic value. Although the rent of stalls had been revised by the letter of the Department of Valuation No U.C.P.E/03/01/ Stall Rent/2017/01, the Council had not taken action to recover rent according to that rate.

3.4 Assets Management

(a) Annual Board of Survey

Verifications had not been carried out to ascertain the physical existence of twelve items of vehicles confirmed as belonging to the Sabha as per budget.

(b) Unresolved Properties of the Sabha

The ownership of seventy six landed properties identified as belonging to the Sabha as per register of fixed assets had not neen confirmed by title deeds.

3.4.1 Vehicle Utilization

- (i) Five tractor trailers, 02 engines, a three wheeler and a stone roller identified as condemned vehicles of the Sabha were lying without action being taken to dispose of them since 2004.
- (ii) The values of eleven items of vehicles decided to be disposed of by a special board of survey on 06 December 2016 had not been assessed and action taken to dispose of them.

3.5 Procurement

Contract Administration

While estimating the work relating to renovations to the latrine system of 90 Waththa belonging to the Peliyagode Urban Council, the work item pertaining to the Septic Tank referred to in Work Item D had not been analyzed and an expenditure of Rs.600,000 had been estimated. Instead, the expenditure incurred amounted to Rs.241,850. So, it was observed that a feasible basis had not been followed while preparing estimates. In spite of the fact that the Urban Council possessed a galie bowser, a fruitless expenditure of Rs.11,000 had been incurred on the work item No.F3, that is, removal of sewage.

4. Accountably and Good Governance

4.1 Budgetary Control

The provision made for 09 Objects was at the rate of Rs.1,000 each as per summary of provision for capital expenditure of the year under review showing that the provision made in the budget was not feasible. Accordingly, the objective of making provision had not been achieved.

4.2 Internal Audit

A report had not been furnished by carrying out internal audit.

5. 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
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(a) Revenue Administration	Weaknesses in recovery of arrears of revenue.
(b) Accounting	Non reconciliation and lack of accounting entries.
(c) Assets Control	Non confirmation of ownership and verifications not being conducted.