

**JaEla Pradeshiya Sabha**

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**Gampaha District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summarized report of the relevant Auditor General's report and the management report had been forwarded to the Chairman on 26 June 2019 and 21 August 2019 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters shown in this report, the financial statements of the JaEla Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for qualified opinion**

**(a) Accounting Deficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i) The Creditors' balance of Rs.1,299,308 shown in the financial statements included the value of other provisions entered twice. As a result, the balance of creditors had been overstated.	Necessary adjustments should be made in the accounts and rectified.	Rectified by Journal Entry No.01 while preparing final accounts for 2019.
(ii) According to the General Stores Ledger Account as at 31 December 2018 the balance amounted to Rs.54,887,125 whereas the physical verification balance amounted to Rs.6,692,484. The difference of Rs.48,194,641 had not been adjusted.	Physically verified balance should be shown in the financial statements. Should be reconciled with ledger account.	Action is being taken to rectify by obtaining the instructions of the Accounts Consultant.

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| (iii) | Ayurvedic medicines of Rs.113,062 obtained as donation by the Sabha had been erroneously debited to the Donation Account.  | Necessary adjustments should be made and adjusted.                                   | Rectified by Journal Entry No.2 while preparing final accounts for 2019.  |
| (iv)  | The sum of Rs.9,750,000 to be entered under the Stores creditors had been erroneously entered under expenditure. While rectifying this, General Stores Account had been debited. As a result, the General Stores Account had been overstated and the Stores Creditors Account had been understated by similar amounts. | Adjustments should be made in the General Stores Account and the Creditors' Account. | Rectified by Journal Entry No.3 while preparing final Accounts for 2019.  |
| (v)   | Out of the stamp fees received during The year, 02 tractor trailers and 03 Compactors had been purchased for Rs.11,223,750 had not been capitalized.   | Non current assets should be capitalized.  | Rectified by Journal Entry No.04 while preparing final accounts for 2019. |
| (vi)  | The interest on fixed deposits matured In 2018 had been accounted. But, again Rs.29,662,972 had been credited as Interest received. The interest on fixed deposits amounting to Rs.482,268 for the year under review had been overstated in the accounts.  | Interest on fixed deposits should be correctly accounted.                            | Rectified by Journal Entry No.06 while preparing final accounts for 2019. |
| (vii) | Salaries reimbursable for May, June and December of the year under review had not been accounted as revenue receivable.  | Salaries reimbursable should be accounted in the relevant months.                    | Rectified by Journal Entry No.08 while preparing final accounts for 2019. |

(viii)	The arrears of entertainment tax of Rs.61,000 of the Batuwatta sub office had been omitted in the accounts.	Revenue and Expenditure should be entered in the financial and Performance reports.	Rectified by Journal Entry No.09 while preparing final accounts for 2019.
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**(b) Unreconciled Accounts**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Differences amounting to Rs.162,234,730 were observed between the balances of 08 accounts and the related balances in the schedules/subsidiary registers.	Action should be taken to reconcile the balances and rectify.	Action is being taken to rectify these balances.

**(c) Suspense Account**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
The balance of Suspense Account existing since 2000 amounted to Rs.236,425.	Previous balances should be settled.	The problems relating to this account will be settled within 06 months with the assistance of the Accounts Consultant.

**(d) Accounts Payable**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Action had not been taken to settle unidentified balance of Rs.106,040,584 over 10 years found in the Miscellaneous Deposit account and 13 account balances totaling Rs.14,621,496 continue to exist for number of years.	Should be identified and settled.	Action is being taken to rectify.

**1.4 Non compliance**

**1.4.1 Non-compliance with laws, rules, regulations and management decisions**

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Value</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Paragraph 5 of the Commissioner of Local Government Circular No.LGD/03/2018 of 30 June 2018.	Rs. 97,160	Although expenditure on tests for strength of pressure and the thickness of concrete slabs had been included in the Estimates for the concrete mixture required for 03 road development projects Rs.97,160 had been paid to the society without tests.	Should act according to the circular.	Estimates had been prepared allowing room for pressure tests and testing of thickness after the receipt of the circular. Three state institutions are involved in thus causing delays. A private institution had tested. If the Superintendent of works recommends, the contractor may have to pay the Core Cut charges to the institutions.

**1.5 Transactions without Adequate Authority**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The total sum of Rs.887,786 consisting of Industrial and Trade tax of Rs.104,850, Trade licence of Rs.96,800 and the Beef Stall of Rs.686,136 not belonging to the Sabha had been deleted from the register of old balances at the Kandana sub office without proper authority.	Approval of the Minister in charge should be obtained.	Approval for write off had been granted.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the year under review amounted to Rs183,525,635as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.75,969,197.

## 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	2018				2017			
	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	45,660	51,061	50,137	25,481	44,645	52,239	51,739	25,289
Rent	16,702	14,422	11,397	10,968	14,439	17,519	17,424	8,965
Licence Fees	1,755	2,067	2,067	93	2,794	2,423	3,751	93
Other Revenue	129,561	250,065	229,860	889	135,652	80,365	70,914	916

### 2.2.2 Rates and Taxes

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Out of the arrears of Ragama and Batuwashttha sub offices as at 01 January 2018 amounting to Rs.7,807,908 and Rs.5,012,518 respectively, the recoveries during the year under review were Rs.2,760,480 and Rs.1,609,055, showing weakness in the recovery.	Arrears of rates should be recovered.	the Ragama and Batuwashttha sub offices had issued licences for recovery of rates in 2018. Action will be taken to intensify recovery at Batuwashttha sub office.
(b) Arrears of rates and taxes as at 01 January 2018 amounted to Rs.25,289,000. This had increased to Rs.25,481,000 as at end of the year under review.	Proper method should be adopted for recovery of arrears of tax.	The recovery of arrears at Ragama and Batuwashttha Sub offices are at a very low level which had resulted in this position.

### 2.2.3 Rent

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Action had not been taken to recover the arrears of rent as at 01 January 2018 amounting to Rs.8,965,000. The arrears had increased to Rs.10,968,000 during the year under review.	Action should be taken to recover the arrears.	Since arrears had not been recovered during the year end, it had been referred to Commissioner of Local Government for write off.
(b) Kandana public market beef stall No.02 had failed to earn any income during the last 05 years. Monthly rent and fines amounting to Rs.269,402 due from 02 meat stalls bearing No.0103 had not been recovered even up to 29 January 2019.	Action should be taken earn revenue from properties belonging to Sabha.	Tenders have to be awarded for the year 2019 based on identifying the assessed value. Letters have been referred to the Department of Valuation. But assessments have not been received up to now.

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| <p>(c) Even in 2019 action had been taken to lease the stalls to the same lessee who owes Rs.1,041,932 for previous years as rental for 03 meat stalls of public market belonging to Pradeshiya Sabha and a fine amounting to Rs.207,986 and lease rental for the Year under review amounting to Rs.2,192,299 and a fine of Rs.438,458 as at 28 January 2019.</p>  | <p>Action should be taken to call tenders under new assessment and lease the Meat Stalls.</p>                               | <p>It was informed at the consultancy committee on 19 October 2018 that action will be taken to recover stall rent due for the year 2018 on a proper assessment based on new assessed value.</p> |
| <p>(d) As agreed an agreement had been entered into on 10 December 2017 to conduct the Ragama Weekly fair from 01 January 2018 to 31 December 2018 and to pay of Rs.3,160,105 as lease rental. But fair had been conducted all over Ragama town violating the conditions of the agreement. Monthly Lease rental for the year 2018 was Rs,263,342 and it had been reduced to Rs.183,286 per month in 2019. In terms Of Commissioner of Local Government Circular letter No.LGD/13/2016 dated 09 October 2016 monthly lease rental had not been revised on an acceptable assessment.</p> | <p>Action should be taken to conduct the fair in a specified area and to decide the lease rental by assessing the land.</p> | <p>Valuation Department had assessed land to improve the fair premises. Once the assessment report is received action will be taken to improve fair premises.</p>                                |

**2.2.4 Court Fines and Stamp Fees**

**(a) Court Fines**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>Court fines were due from Mahara and Negombo Magistrate Courts since 2012 and 2016 respectively.</p>	<p>Action should be taken to obtain court fines.</p>	<p>Action is being taken to recover court fines from Mahara and Negombo due since 2012 and 2016.</p>



**(b) Stamp Fees**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Revenue from stamp fees was due from the year 2015 Land Registries Colombo and Gampaha. Action had not been taken to obtain these.	Action should be taken to obtain Revenue.	The schedules of stamp fees of the year 2015 Land Registries Colombo and Gampaha had been referred to the Provincial Revenue Commissioner.

**3. Operating Review**  
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**3.1 Performance**  
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According to the Section 3 of the Pradeshiya Sabha Act the following matters were revealed with regard to functions to be performed by the Council regarding regularization and administration of public health, common amenities services and public highways, health propensities of the public, facilities and welfare etc.

**(a) Sustainable Development Targets**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
The sustainable development objectives and targets to be achieved 2030 should be identified and indicators should be identified to measure and regulate such objectives and targets, identification of annual targets and preparation of Action Plan accordingly had not been done for The year 2018. Sustainable Development Plan for 2019 – 2023 had only been Prepared.	Indicators should be regarding objectives and targets as per sustainable development Act No. 19 of 2017.	Instructions had not been obtained to prepare a plan as per Agenda of the sustainable development for 2018.

### 3.2 Management Inefficiencies

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Four works had been executed without estimates by 12 October 2018. Activities had been carried out for 05 works valued at Rs.2,799,000 for which estimates had not been prepared.	Estimates should be prepared and agreement entered into.	The work committee had approved the estimates for 04 works on 11 October 2018. Agreements will be signed before commencing work.
(b) The Planning Committee had not Approved sub division of 3 roods and 17 perches of land at Peralanda Mawatha, Ragama. Further, the Pradeshiya Sabha Had concreted but not acquired the inner Road on the exit of the road which leads to sub divided portion of 264 feet of length 10 feet of breadth.	The roads of the Sabha should be legally acquired.	Proper mechanism is being adopted to acquire the Pradeshiya Sabha roads including this road.
(c) Action had not been taken to recover employees' loans of Rs.299,120 exceeding 09 years.	Managements attention should be drawn for proper recovery.	Action will be taken to rectify accounts with the instructions of the Accounts Consultant.

### 3.3 Assets Management

#### 3.3.1 Safety of Assets not Ensured

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The front portion of OTS Ekala area land of 29 acres, 02 roods and 12.81 perches had been fenced with PVC nets in 2016. Except this, action had not been taken to safeguard the ownership by fencing the other portion of the land.	Action should be taken to confirm ownership of assets of the Sabha.	The permanent boundary of the land had been identified. It is kindly informed that action will be taken to cover up the boundary of the land.

### 3.4 Litigations against the Sabha

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) The Sri Lanka Telecom had initiated legal Action vide Case No.1311/M against the Sabha for causing loss of Rs.56,285 to its Underground cables while repairing Fathima Mawatha, Kandana. The contingent Liability had not been disclosed.	Compensation payable should be disclosed in the financial statements.	Money had been allocated under object 105 9(1) for any expenditure payable for cases. Payments if any will be met from this object.
(b) A resident of Kandana Station Road had filed a case against the Sabha for not taking action regarding loss caused to his house by a building. As nobody had represented the Sabha at the Court house and an ex parte judgement had been delivered on 31 July 2003. An appeal had been lodged against the judgment and action had not been taken against the officers responsible.	Action should be taken against the officers responsible.	There is no file relating to this case. A file is being maintained according to the reports obtained from the Court house. Compensation payable had not been specified. Information relating to this case will be sent to Commissioner of Local Government and suitable action will be taken.
(c) Due to non-receipt of provision pertaining to the construction of Kudahakapola multi purpose building, construction work had been abandoned after laying the foundation. Therefore, construction company had filed a case regarding loss incurred to them and a compensation of Rs.2,403,319 had been paid during 2012 and 2013. The file pertaining to construction had not been received by the Audit and it was revealed that the foundation had been removed now.	Action should be taken against the officers responsible for the loss.	The file pertaining to this case was not found and action had been taken to obtain a full report of this case through a Lawyer.

### **3.5 Procurement**

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#### **3.5.1 Supply and Services**

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##### **Audit Observation**

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According to the condition 8 of the Agreement signed on 10 September 2015, 06 security guards from Civil Security service had to be employed 24 hours day and night 06 shifts. But, according to the month of July 2018 attendance register except 03 days, all other days work was not done according to the agreement.

##### **Recommendation**

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Action should be taken according the agreement.

##### **Comments of the Accounting Officer**

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Action had been taken to employ 06 security guards per day on 05 shifts.