

Eheliyagoda Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 29 March 2017 and the financial statements for the preceding year had been presented on 02 June 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 21 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Eheliyagoda Pradeshiya Sabha as at 31 December 2016 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) Four tables amounting to Rs.61,479 purchased in the year had not been capitalised. As such the fixed assets of the year under review had been understated by similar amount.

- (b) Even though, the stamp fees payable as at 31 December 2016 according to the Stamp Fees Register amounted to Rs.24,315 it was shown as Rs.278,121 in the statement of financial position. As such current liabilities had been overstated by Rs.253,806.
- (c) Even though, the balance of the drugs stock in 04 Ayurvedic Centres amounted to Rs.496,095 according to the Boards of Survey Report for the year 2016, it was shown as Rs.830,941 in the financial statements. As such the assets had been overstated by Rs.334,846.
- (d) Capital expenditure amounting to Rs.294,148 incurred during the year under review had been brought to account as recurrent expenditure. As such the operating surplus had been understated by similar amount.
- (e) The expenditure for the Object of transport and requisite services had been overstated by Rs.157,383 and expenditure for the Object of interest payments had been understated by Rs.159,662 in the accounts.
- (f) Library books purchased for Rs.318,188 in the year under review had been capitalized as Rs.307,590 and as such fixed assets had been understated by Rs.10,598.

1.3.2 Unreconciled Control Accounts

The following matters were observed.

- (a) A difference totalling Rs.1,223,418 was observed between the balances appearing in the financial statements as at the end of the year under review and the balances as per subsidiary registers with regard to 02 items of accounts.

- (b) Even though, a sum of Rs.96,255,541 had been shown as receivable balance in the statement of financial position as at 31 December 2016, the total of the relevant balances appearing in the ledger accounts amounted to Rs.96,344,694 and as such a difference of Rs.89,153 was shown.
- (c) A difference of Rs.557,229 was observed between the votes ledger and the financial statements with regard to 03 miscellaneous Objects.

1.3.3 Accounts Receivable and Payable

The following matters were observed.

- (a) Staff loans receivable totalling Rs.62,653 recoverable from 07 officers had not been recovered.
- (b) The creditors totalling Rs.34,407,719 as at 31 December 2015 had not been settled even by 17 February 2017.

1.3.4 Non-compliance with Laws, Rules and Regulations etc.,

The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

- (i) Financial Regulation 103 (1)

Action had not been on the shortages of goods amounting to Rs.45,780 according to the Boards of Survey Report as at 31 December 2015.

- (ii) Financial Regulation 371 (2)(B) Even though, the advances granted should be settled immediately after the completion of the purpose for which it is granted, 59 advances totalling Rs.1,343,504 granted for over a period ranging from 02 years to 21 years as at 31 December 2016 had not been settled.
- (iii) Financial Regulation 396 (d) Action had not been taken on 07 cheques totalling Rs.245,421 issued but not presented for payment even though a period ranging from 06 months to 04 years had elapsed from the date of issue.
- (iv) Financial Regulation 571 (2) Action had not been taken even by 17 February 2017 to settle the lapsed deposits amounting to Rs.447,504 in respect of the period from the year 2011 to 30 June 2014.
- (b) By-law 5 (5) of the Part IV (b) of the Extra -ordinary Gazette No.520/7 of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988. Even though, a period from 01 month to 12 months had elapsed after making written information on 02 unauthorized constructions, further actions had not been taken even by 17 February 2017.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.12,823,818 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 6,789,168 shown an improvement of Rs.6,034,650 in the financial results as compared with the preceding year.

2.2 Analytical Financial Review

The increase in 04 items of revenue by Rs.4,307,691 and decrease in 05 items of expenditure by Rs.2,990,332 had mainly attributed to the increase of financial results by Rs.6,034,650.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information with regard to the estimated revenue, actual revenue and the arrears of revenue furnished for the year under review appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and taxes	6,688	9,039	12,858
Lease rent	4,365	5,945	880
Licence fees	777	804	7
Other revenue	54,279	45,652	22,174

2.3.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed an increase in revenue collected with regard to the revenue items such as rates and taxes, lease rent and licence fees by 09 per cent, 48 per cent and 06 per cent respectively and revenue collected with regard to the revenue items such as warrant charges and fines, other revenue and contribution made by the Government had decreased by 22 per cent, 23 per cent and 32 per cent respectively as compared with the estimated revenue.

2.3.3 Rates and Taxes

The balance of arrears of rates as at 31 December 2016 amounted to Rs.12,611,903 and it included a balance amounting to Rs.1,892,624 receivable from 92 assessment units which over Rs.10,000 remained brought forward for a period from 01 year to 47 years.

2.3.4 Other Revenue

The following matters were observed.

- (a) Despite that, an application for a licence to display advertisements had not been furnished in terms of the by-law 02 shown under No.39 of Part IV (b) of the Gazette No.520/7 of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988, the licences had been issued in 43 instances during the year 2016.
- (b) Even though, it was pointed out that sums totalling Rs.613,045 should have been recovered for the advertisements displayed in 57 instances without recovering fees observed at an survey carried out on advertising hoardings displayed towards Colombo from the Council to Diuvrumpitiya on 09 December 2016 according to the internal audit query issued by the Provincial Department of Internal Audit of the Sabaragamuwa Provincial Council, that fees had not been recovered.

- (c) An arrears of revenue amounting to Rs.150,209 and Rs.202,200 had remained recoverable from 2 meat stalls of the Sabha situated at Eheliyagoda in respect of the years 2013 and 2015 respectively.
- (d) The recovery of key money for the Gatahaththa Multi-Purpose building had been made as monthly installments and a sum of Rs.59,999 had been under recovered from 05 trade stalls by June 2017. Further, the entire Key Money amounting to Rs.330,000 should have been recovered from one trade stall.

2.3.5 Court Fines and Stamp Fees

Action had not been taken to identify the stamp fees revenue recoverable for the period from the year 2013 to 2016 from 04 offices of Land Registry.

3. Operating Review

3.1 Performance

The following matters were observed.

- (a) Even though, provisions of Rs.400,000 had been allocated for the development activities according to the annual budget, the projects had not been identified separately. However, 113 projects totalling Rs.30,911,978 had been executed under the provisions of the Central Government, Sabaragamuwa Provincial Council and the provisions of the Pradeshiya Sabha during the year under review.
- (b) The extent of the works carried out during the year under review as compared with the Grama Niladhari Divisions of the authoritative area of the Sabha, 16 works for each Grama Niladhari Division had been executed, while the amount of works less than that had been executed in 07 divisions in which the population was higher than above divisions. Further, no work whatsoever had been executed in 16 Grama Niladhari Divisions.

3.2 Management Inefficiencies

The following matters were observed.

- (a) Eight portions of 9'x9' (square feet) allocated temporary in the ground floor and entire extent of 3239 square feet in the upper floor of the Gataheththa trading complex of which the constructions completed in the year 2012 had not been utilized to generate revenue even by June 2017.
- (b) Action had not been taken to rectify the unidentified difference of Rs.12,141 remained brought forward from January 2012 in a bank account even by June 2017 and a value of a postal order amounting to Rs.2,300 recorded under receipts of the cash book in June 2011 had not been added to the bank balance.
- (c) The motor grader received for the Sabha on 06 February 2015 from Ministry of Local Government had remained idle without being utilized from the received date due to non-availability of an operator.

3.3 Operating Inefficiencies

The following matters were observed.

- (a) In the event of issuing environment protection licences, for due projects mentioned in the part 'C' of the Extra-Ordinary Gazette No.1533/16 dated 25 January 2008, action should be taken by the Sabha to pay attention in respect of the industries which should be obtained Environment Protection Licences within the authoritative area of the Sabha according to the "Guidelines on vesting powers to the Local Government Institution and implementation of powers" issued by the Central Environmental Authority and to take action with due supervision on said works. Nevertheless, the licences only had been issued for the industries which requested to obtain Environment Protection Licences from the Sabha. A sum of Rs.61,580 only had been collected from 14 industries as revenue of

Environmental Licences by 17 February 2017. Further 18 institutions which should be obtained the environment protection licences had been obtained only industries and trade licences. But, the environment protection licences had not been obtained.

- (b) In terms of the Schedule V of the amendments made for the directives of plans and buildings of Urban Development Authority 1986 published in the Extraordinary Gazette No.1597/8 of Democratic Socialist Republic of Sri Lanka dated 17 April 2009, fees had not been recovered in construction of Telecommunication Transmission Towers.

3.4 Contract Administration

At the physical audit examination carried out, it was revealed that 02 pipe lines had been fixed to obtain water for 02 private houses by using motors from the drinking water well in Ganegoda which repaired on 30 June 2016 by incurring Rs.50,387 to utilize as public well and as such it was observed that the expected objective from that construction was not fulfilled.

3.5 Solid Waste Management

The following matters were observed.

- (a) Even though, the sewerage and scavenging service and the recovery of fees thereon had been shown as a matter subjected to the by-laws in terms of the Section 126 (ix)(b) of the Pradeshiya Sabha Act No.15 of 1987, action had not taken by the Sabha to impose a by-law for above matter even by February 2017.
- (b) A proper plan in respect of the management of garbage was not made available in the Sabha, during the year 2016 and the garbage collection was not carried out by the Sabha so as to cover entire authoritative area of the Sabha and the garbage had not been categorised as decayable and solid waste in collection of garbage.

- (c) Even though, the Sabha had started the production of compost fertilizer in the year 2014, that project had become an unsuccessful project from the beginning of the year 2016 and the production had been closed. About 3 employees had been deployed for this project but the employees had rejected the service of the compost fertilizer yard due to non-availability of proper health facilities and other needs. The Sabha had failed to implement a suitable arrangement to solve this problem by June 2017.
- (d) In terms of the by-law 9.4 of the Part IV (b) of the Extra- ordinary Gazette No.520/7 of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988, a fee imposed by the Sabha for sewerage service should be paid monthly by a resident of a place for which providing sewerage service except a resident exempted by the Sabha due to poverty. Nevertheless, the Sabha had not implemented a proper arrangement to recover fees for the sewerage service.

4. Good Governance and Accountability

4.1 Annual Procurement Plan

A procurement plan for the year under review had not been prepared.

4.2 Annual Action Plan

An annual action plan had not been prepared for the year under review.

4.3 Audit and Management Committees

Action had not been taken to establish and implement Audit and Management Committees.

4.4 Unresolved and unreplied Audit Queries

Replies to 03 audit queries had not been furnished by 31 December 2016. The quantifiable value of transactions of those amounted to Rs.5,999,572.

5. **Systems and Controls**

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

System

Observation

(a) Accounting	(i) Errors of omissions. (ii) Not making provisions. (iii) Understatements (iv) Overstatements.
(b) Revenue Administration	Non-identifying of due revenue.
(c) Assets Management	Non-recovery of revenue.
(d) Solid Waste Management	Not disposed properly.
(e) Assets Control	Existence of idle assets and proper action not taken on unusable assets.