

Eheliyagoda Pradeshiya Sabha
Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 28 February 2019 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 28 May 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

Audit observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) Rs. 256,962 of accrued expenses for the year under review had not been accounted.	Expenditure for the year should be properly accounted.	Noted to correct the mistake.
(b) The total amount purchased during the year under review was Rs. 117,680 of fixed assets had not been capitalized.	Capital expenditures for the year should be properly identified and accounted.	These assets will be recorded to be capitalized when the 2019 Final Account is prepared.
(c) A sum of Rs. 33,300 worth of printing machine received by the Ministry of Local Government and Provincial Council had been capitalized twice under asset purchase and donation.	Capital expenditures for the year should be properly identified and accounted.	Taken notes to correct the final account 2019.
(d) A stock of 33 kinds Ayurvedic Drugs valued at Rs. 64,932 had not been accounted.	The correct value must be identified and accounted.	Made a note of corrections when preparing the account for 2019.
(e) Total amount of capital assistance receivable at the end of the year under review had been accounted Rs. 2,193,910 more.	Current assets of the year should be properly accounted.	Advised to correct the final account 2019.

- (f) The creditors for the year under review had been allocated Rs. 946,692 less. Accounts should be prepared properly. Made a note of corrections when preparing the account for 2019.
- (g) There was a Rs. 3,853,383 difference between the balance as per the balance of the financial statements and balance of the supporting documents at the end of the year under review. Financial statements and supporting documents should be compared. Advised to re-balance the documents and correct these changes when preparing the final account for 2019.

1.4 Non-compliances

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

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comment of the Accounting Officer
371(2)(C) of Financial Regulation of the Democratic Socialist Republic of Sri Lanka	The advance of Rs. 2,202,498 given in 73 cases during the period from 1995 to 2014 of the end of the year under review had not been settled by the end of the year under review.	Should work according to the financial regulations	To settle advances made during the period from 1995 to 2014 information has become difficult to obtain. Information on other advances is also being investigated. Upon receipt of the information, It will be settled.

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 2018 amounted to Rs.8,498,730 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.15,589,017.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue, furnished for the year under review and for the preceding year appears below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 st	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	8,716,500	8,911,406	7,025,062	15,858,134	8,477,000	9,023,814	8,573,527	13,490,044
(ii) Rent	9,177,600	8,558,020	8,562,817	682,884	6,738,900	7,033,416	7,216,722	685,781
(iii) License fee	1,122,300	1,042,271	1,051,621	5,750	881,650	1,035,707	1,007,807	91,000
(iv) Other Revenue	24,580,400	24,083,720	20,802,729	23,407,099	23,638,500	22,981,403	33,438,251	20,002,855

2.2.2 Rates and Taxes

	Audit observation	Recommendation	Comment of the Accounting Officer
(a) (i)	Though all immovable property in the council area had to be assessed once every five years to collect the rates no property valuation has been carried out since 2012.	A systematic program for valuation of property should be planned and implemented every five years.	Although a request was made to the Department of Valuation in the year 2017, they were asked to conduct a survey in the entire assessment area and prepare lists. Accordingly, the survey was started but due to the lack of officers, it has not been completed. Necessary steps are being taken to complete these activities next year.
(ii)	As at December 31, 2018, the outstanding assessment balance was Rs. 8,783,798 of which have been in arrears for more than 3 years amounted to Rs. 4,843,624 from 4,156 units. Steps had not been taken to collect arrears of assessment tax under section 158(1) of the Pradeshiya Sabha Act No 15 of 1987.	A systematic program to recover the outstanding assessments should be planned and implemented.	There are over 7000 Assessment Units in the Council area and only one Revenue Inspector is available. Also, due to the inability to provide the facilities to the customers in most of the newly declared areas, the people have refused to pay assessment tax. Action will be taken to recover the arrears.

- (b) At 31 December 2018 in the outstanding acreage tax Rs. 205,274 was included Rs. 170,429 which is to be charged by 140 units older than 5 years. Action should be taken to recover the outstanding acreage tax. Intend to recover this money by carrying out Acreage Tax Inspections and issuing deficiency lists to Revenue Inspectors.

2.2.3 License fee

Audit observation	Recommendation	Comment of the Accounting Officer
<p>Due to non-obtaining of licenses by 29 business places which should be obtained environmental license in accordance with the National Environment Act No. 47 of 1980 and the regulations there under as amended by Act No. 59 of 1988 and Act No. 53 of 2000. the council had lost an income of Rs. 127,600.</p>	<p>Action should be taken to issue permits to all agencies which should obtain environmental licenses.</p>	<p>For industries that have expired the Environmental License, they have been asked to renew their license. It is inform that in future, all industries in the area of authority will be investigated and industries that are required to obtain Environmental Protection License will be dealt with.</p>

2.2.4 Other Revenue

Audit observation	Recommendation	Comment of the Accounting Officer
<p>(a) A survey was not carried out during the year under review to identify billboards displayed in the council area without paying fees, and eight permanent billboards that were to be charged Rs. 49,870 had been removed without any charges.</p>	<p>Action should be taken to collect all the revenue owed to the council.</p>	<p>Based on the survey conducted in 2017, fixed billboards have been charged and in addition details have been obtained for newly installed billboards.</p>
<p>(b) Shop rent of Rs. 352,209 / - has not been recovered from the Eheliyagoda mutton and poultry shops belonging to the Council for the years 2013 and 2015.</p>	<p>When leasing outside parties it is needed to enter into a proper agreement.</p>	<p>Since the Eheliyagoda town development activities have made it impossible to operate the shops in the weekly fair premises, money has been charged on a daily basis and examination of the files confirmed that no agreement had been reached. Therefore action is being taken to deduct from arrears from the documents subject to the approval of the Hon. Governor as legal action for recovering the arrears is problematic.</p>

- (c) In accordance with the Court decision on Eheliyagoda Weekly fair the amount due from the lessee at the end of the year under review was Rs.180,000
- To act in accordance with the court decision.
- As the case filed to recover the money has been recalled, further action will be taken on the judicial decision.

2.2.5 Court fines and stamp fees

Audit observation	Recommendation	Comment of the Accounting Officer
The court fines of the Chief Secretary of the Provincial Council and other authorities by at the end of the year review amounted to Rs. 3,454,370 and stamp fees receivable had not been identified.	Fines and stamp fees payable should be identified and recovered.	Due to the lack of relevant documents to prepare estimates, a certain amount of money could not be billed. Due to the lack of relevant documents to prepare estimates, a certain amount of money could not be billed.

3. Operational review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabha Act such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and wellbeing of the people are given below.

(a) Action Plan

Audit observation	Recommendation	Comment of the Accounting Officer
According to the Action Plan for 2018, the Council failed to implement 15 tasks planned to be implemented during the year under review.	Action should be taken to identify the priority of development work in the area of authority and take action to plan and implement.	As 2018 action plan was of made in a period of absents of political authority certain matters were to be implemented in accordance with the priority of political authority and the financial position of the Council.

(b) Solid Waste Management

Audit observation	Recommendation	Comment of the Accounting Officer
(i) Due to the irregular disposal of decaying and non-decaying garbage collected by the council to a open land about an	A proper waste management program should be planned and implemented.	On a daily basis, the Pradeshiya Sabha has collected four to five tonnes of garbage and dumped it into the Beruwana compost yard.

acre in the Beruwana area has caused serious harm to the environmental.

By now the garbage brought to the production of compost fertilizer has been piled up separately. Other waste bins will be mowed under soil by Backhoe machine.

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| (ii) | The Council had failed to implement and enact by-laws under section 126 (ix) (b) of the Pradeshiya Sabha Act, No.15 of 1987 for sewerage, garbage disposal and to charge for them | Shall comply with the provisions of the Act. | Deal with the imposition of a by-law in future. |
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(c) Sustainable Development Goals

Audit observation	Recommendation	Comment of the Accounting Officer
Although the Council is aware of the Sustainable Development Goals, the long-term plans for improving the quality of life and health of the people of the area had not been prepared by December 2018.	Long-term plans for sustainable development should be formulated and implemented.	Answers not given.

3.2 Management inefficiencies

Audit observation	Recommendation	Comment of the Accounting Officer
(a) According to subsection 154 (1) of the Pradeshiya Sabha Act No.15 of 1987, a levy of 1 per cent of the proceeds of the sale of land should be levied, but the sum of 1 per cent, based on the provisional valuation of seven land auctions from 2015 to 2017, amounted to Rs 762,920 had been recovered.	It is necessary to act promptly to recover the receivables of the council.	Actions will be taken to recover the real value of the land and to recover the money if there is a change in the selling price.
(b) From the land allotted to the public at the Neriyaullahena Land Auction in Divurumpitiya had been handed over to the Council 22.61 perches less.	The council should act promptly to acquire the land to be owned by the Council.	Since the auctioneer had been informed to give the plot of land, but he had not taken action, the Department of Valuation had informed him by letter to assess the value of the land. After receiving the value, it will be recovered by the auctioneer.

3.3 Human Resource Management

Audit observation	Recommendation	Comment of the Accounting Officer
The loan balance of Rs. 56,654 arrears for a long time from seven officers had not been recovered by April 6, 2019.	Arrears of debt should be recovered promptly.	The arrears to be recovered is Rs. 56,064.

3.4 Asset Management

Not maintaining documents and Registers

Audit observation	Recommendation	Comment of the Accounting Officer
The value of all non-current assets of the council could not be ascertained because the fixed asset register was not maintained properly and up to date.	The fixed asset register must be maintained properly.	Some fixed assets have been donated by various agencies. Further, the valuation of the asset has not yet been stated in the fixed asset register as it has not yet been assessed.

3.5 Procurement

3.5.1 Supplies and Services

Audit observation	Recommendation	Comment of the Accounting Officer
(a) Although only 95 applications had been received by October 2018 for obtaining water under the Divurumpitiya Water Supply Scheme, 350 water meters were purchased simultaneously at a cost of Rs. 656,250 and 303 water meters to the value of Rs. 568,125 of had been idle for over a year and their warranty period had expired.	The need must be correctly identified before buying goods.	Approximately 350 households needed water at the time of the assessment, and after the purchase of the water meters, the area was unable to supply the expected water connection due to the supply of pipe-borne water to the area by water board. It has been proposed to upgrade the Divurumpitiya Watta water scheme and it will be possible to install these water meters.
(b) The audit did not confirm whether the ideal product was purchased at the optimum price	Procedure guidelines must be followed.	In future technical specifications will be evaluated and action will be taken.

due to the fact that the procurement was offered on the basis of minimum cost, without evaluating the technical specifications in purchasing five computers, worth of Rs. 676,750, Assessment Software System, Photocopy machines.

3.5.2 Contract Administration

Audit observation	Recommendation	Comment of the Accounting Officer
(a)(i) Under the Project of Improvement of 1000 Km of Roads in the Rural Areas implemented by the Ministry of Provincial Councils and Local Government - 2017 Rs. 58,905,292 had been allocated. Since the council had not selected a qualified contractor to hand over the contract, the project could not be completed by the due date and the provisions had been revoked in November 2018.	All necessary measures should be taken for the effective utilization of the provisions received for the development of the province.	The bids were called up until 11 th September 2017, subject to the approval of the Ministry of Local Government and Provincial Councils. According to a letter dated 29th September 2017 of the Chief Ministry, it was decided to take over these two projects to the Development Design and Machinery Authority. This was mainly due to the implementation of the two projects within a short period of time and the local engineer being transferred.
(ii) At the time of cancellation of the above two projects, less than 25 per cent of the work had been completed and Rs. 13,054,363 was at risk of receiving.	The remaining two industries should be effectively financed with necessary funds to complete the remaining work.	Due to the heavy rainfall in 2017, it was necessary to extend the contract period of the above two projects several times. Further, the project could not be completed within the stipulated time, as the area where these two projects are implemented is very difficult.
(iii) Since the bidding notice was handed over to the Sabaragamuwa Provincial Development Design and Machinery Authority, a sum of Rs. 120,750 expended to publish the notice was in vain.	Money must be spent on a proper plan.	Newspaper notices have been published for the respective projects on 17 th August 2017 and the deadline for issuing applications is 07 th September 2017. In the meantime, the Local Government Engineer who prepared the newspaper advertisement and the tender applications for this project has been transferred to the new position and the appointment of the Tender Committee and the Technical Committee has failed to take proper action. No bidder had submitted a bid by September 04, 2017 at 10:00 am. Considering this situation it was felt that

it was advisable to obtain the assistance of the Chief Ministry of the Provincial Council and after telephone conversation above two projects were forward to the Provincial Council for future arrangements.

- (iv) For two development projects Rs. 60,005 had been paid more than work done. Overpayment must be charged. Action will be taken to recover the overpaid money.

4. Accountability and good governance

4.1 Management Budgetary control

The Sabha had failed to use the annual budget as an instrument of financial control due to the following matters.

Audit observation	Recommendation	Comment of the Accounting Officer
(a) In the year under review the total of Rs. 1,296,000 relevant to 18 subjects had been remained.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	Provisions have been left because the scheduled work have not been done although allocations are made for budgetary matters.
(b) With respect to 10 subjects in the year under review the percentage remained in the range of 81 to 97 percent out of the total of Rs. 828,050 total provision.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	Though the provisions allocated considering the previous year's expenditure, the remaining are due to not spending as much as expected.

4.2 Audit and Management Committees

Audit observation	Recommendation	Comment of the Accounting Officer
Steps have not been taken to establish and implement the Audit and Management Committees.	Establishment and implementation of Audit and Management Committees should be done.	Steps have not been taken to establish and implement the Audit and Management Committees.