

**Eheliyagoda Pradeshiya Sabha**  
**Ratnapura District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019, had been presented to audit on 12 March 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 30 June 2020.

**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 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Even though the balances of creditors determined not to be paid totalling Rs.17,337,497 had been taken in to revenue in the year under review, the required adjustments had not been made in the provisions for debtors of Rs.16,131,966 relating to that.	When taking the balances of works creditors in to revenue, action should be taken to identify the balances of debtors relating to that and to eliminate.	That will be rectified in preparing the accounts for the year 2020.
(b) The adjustments had not been made for under provisions of stamp fees of Rs.16,085,176 relating to preceding years.	The revenue relating to the preceding years should be adjusted through accumulated fund.	An accounting error was made, but due to the requirement of utilizing above money for Sabha functions by a supplementary estimate, it had been done.
(c) The loan balance of Local Loans Development Fund as at the end of the year under review had been understated by Rs.5,763,488.	Action should be taken to rectify the balance of the loan account.	It was an error made when preparing accounts and action will be taken to rectify in future.
(d) The interest of Rs.1,084,240 relating to the Local Loans Development Fund loan for the year under review had not been brought to account as operating expenditure while Rs.1,000,000, out of that had been adjusted to the accumulated fund.	The expenditure relating to the year should be correctly identified and prepared financial statements.	Action will be taken to prevent this type of errors in future.

(e)	The assets recommended to dispose by the Board of Survey had been eliminated from the books prior to disposal of the assets and as such the non-current assets had been under stated by Rs.344,169.	Action should be taken to eliminate the relevant assets from registers after being disposed of the assets.	The value of auctioned goods and destroyed goods will be eliminated from the books in the same year and the revenue from the auction of those goods will be taking into revenue in the subsequent year.
(f)	The accrued expenses of Rs.314,559 relating to the year under review had not been brought to account.	The expenditure relating to the year should be correctly identified and brought to account.	That will be rectified in preparing accounts of the year 2020.
(g)	The provisions for audit fees had not been made for the year 2019.	The provisions for audit fees should be made.	That will be rectified in preparing accounts of the year 2020.
(h)	A difference of Rs.27,123,853 was shown between the balances as per financial statements relating to 10 items of accounts and the balances as per subsidiary registers as at the end of the year under review.	The values shown in the financial statements should be reconciled with the subsidiary registers.	The differences between the financial statements and the subsidiary registers will be rectified in future.

#### 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.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(i) Financial Regulation 371 (2) (c)	Advances totalling Rs.2,238,382 granted in 66 instances during the period from 1995 to 2019 had not been settled.	Action should be taken in terms of Financial Regulations.	The advances obtained for the urban development from the Urban Development account had been referred for the

(ii) Financial Regulation 571	The balances of deposits amounting to Rs.1,850,056 relating to the period from the year 2004 to 2014 had not been identified and settled.	Action should be taken in terms of Financial Regulations.	approval of the Urban Development Authority for settlement and action will be taken to settle the other advances as well. The deposits of Rs.151,417 relating to the period from the year 2004 to 2014 had been taken in to the revenue.
(b) Public Administration Circular No.02/2018 dated 24 January 2018.	The performance agreements that should be signed annually for the staff had not been signed.	Action should be taken in terms of the Provisions of Circulars.	That will be executed from the year 2020.
(c) National Budget Circular No.02/2017 dated 25 July 2017.	Output indicators and major performance indicators relating to the output of institutional role had not been identified.	The respective indicators should be identified in terms of the provisions of circulars.	Required action will be taken in terms of the Circulars in future.
(d) Local Government Circular No.2018/e – Local Government 01 dated 19 July 2018.	The Sabha had failed to establish required facilities to provide opportunities for applying services through internet for the client.	Action should be taken in terms of the Provisions of the Circular.	Comments not furnished.

## 1.5 Non – compliance with the tax Requirements

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- The balances of Value Added Tax, Turnover Tax, and Nation Building Tax remained in the deposits accounts since prior to the year 2015 totalling Rs.1,962,284 had not been identified and settled.	----- Action should be taken to remit the balances if those have to be remitted to the Department of Inland Revenue and the other balances should be identified and settled.	----- The payments had been made from these deposits but those were not brought to account correctly. Action will be taken to examine and to rectify them.

## 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 2019 amounted to Rs.15,711,216 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.8,498,730.

### 2.2 Financial Control

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Action had not been taken either to activate or to close down the bank account with a balance of Rs.225,354 which had been in a dormant position for over a period of 05 years.	----- Action should be taken either to activate or to closure of the bank account.	----- Action will be taken to submit this account balance to the General meeting within next 03 months and to transfer the balance to current account of the Sabha.

### 2.3 Revenue Administration

#### 2.3.1 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	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	9,670,500	8,989,609	6,869,587	17,602,784	8,716,500	8,911,406	7,025,062	15,858,134
Lease Rent	10,464,150	10,111,520	10,062,445	383,200	9,177,600	8,558,020	8,562,817	682,884
Licence Fees	1,019,000	981,549	982,299	14,750	1,122,300	1,042,271	1,051,621	5,750
Other Revenue	<u>28,323,250</u>	<u>26,145,738</u>	<u>30,932,111</u>	<u>29,149,819</u>	<u>24,580,400</u>	<u>24,083,720</u>	<u>20,802,729</u>	<u>23,407,099</u>
	<u>49,476,900</u>	<u>46,228,416</u>	<u>48,846,442</u>	<u>47,150,553</u>	<u>43,596,800</u>	<u>42,595,417</u>	<u>37,442,229</u>	<u>39,953,867</u>

### 2.3.2 Rates and Taxes

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

##### (a) Rates

Action had not been taken to recover arrears of rates amounting to Rs.8,954,421 recoverable from 1932 units existed for over a period of 05 years.

Prompt action should be taken to recover revenue receivable to the Sabha.

The arrears of rates identified as could not be recovered have now been referred to the Governor for the approval to write off and action has been taken to hold mobile services and to take legal actions against the persons who are not paying arrears of rates.

##### (b) Acreage Tax

Action had not been taken to recover a sum of Rs.183,157 receivable from 149 units remained for over a period of 05 years.

A verification on acreage tax should be carried out and action should be taken to recover revenue.

The support of the office of the Divisional Secretary and the Office of Agrarian Services will be taken to find information relating to the land owners and action will be taken to recover money.

### 2.3.3 Licence Fees

#### Environmental Licences

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

Action had not been taken in respect of non – obtaining of environmental licences by 24 business institutions, which should be obtained environmental licences identified in the preceding year, and as such a revenue of Rs.96,000 had been deprived of by the Sabha.

Action should be taken to issue environmental licences properly to all institutions that should be obtained licences.

It was informed to obtain environmental licences within 14 days and action will be taken in respect of the institutions which are not responding to the above.

### 2.3.4 Court Fines and Stamp Fees

#### **Audit Observation**

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Court fines identified as receivable as at 31 December 2019 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.2,348,000 and the stamp fees receivable amounted to Rs.9,230,836.

#### **Recommendation**

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Action should be taken to recover revenue receivable to the Sabha.

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

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Action will be taken to recover these balances during the year 2020.

### 3. Operating Review

#### 3.1 Performance

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

#### Sustainable Development Goals

#### **Audit Observation**

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Even though, the Sabha had aware in respect of the 2030 Agenda of Sustainable Development Goals, the long term plans through global indicators for that objectives to upgrade the livelihood and the health of the people of the authoritative area of the Sabha had not been prepared.

#### **Recommendation**

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Sustainable Development plans should be prepared and executed.

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

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The Sustainable Development plans has been prepared for the year 2020.

#### 3.2 Assets Management Idle Assets

#### **Audit Observation**

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- (a) The motor grader belonging to the Sabha had remained idle since the year 2015 due to non-availability of an operator.

#### **Recommendation**

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Action should be taken either to utilize the machine effectively or to be given to a Local Government institution for which needed the machine.

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

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Action is being taken to exchange the motor grader with a vehicle of the Kolonna Pradeshiya Sabha.

(b) A cab vehicle condemned in the year 2013 had not been disposed.	The condemned vehicles should be disposed.	The auction of the respective cab vehicle should be done through the Ministry of Provincial Councils and Local Government and as such that actions are being taken at present.
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**3.3 Irregular Transactions**

**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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A sum of ten times of the monthly allowance of Public Representatives had been granted as loan advances to the Public Representatives as per the decision No.136 of the Sabha dated 14 August 2018 without an authority from the Pradeshiya Sabha Act or any other written law or by a circular and a sum of Rs.2,251,800 had to be recovered by the end of the year under review.

The provisions had not been made under a written law to grant loan advances to the Public Representatives.

An interest revenue of 4.2 per cent is being received through this loan by the Sabha, and loan installments are recovering from monthly allowances of members.

**3.4 Procurements  
Contract Administration**

**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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Even though, it was informed to audit, that the sum of Rs.39,001 overpaid for the work of construction of retaining wall in the place of the earth slip occurred in the Moragala Arabbada Road will be recovered from the contractual society, the retention money of the work had been paid to the contractor in December 2018 without being deducted that amount.

The over payment should be recovered.

Action will be taken to recover the overpaid amount of Rs.39,001 from the respective society.

**4. Accountability and Good Governance**  
**Unresolved Audit Observations**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Action had not been taken to recover 1 per cent of tax to the Pradeshiya Sabha from the money received from the land sales in terms of Sub-section 154(1) of the Pradehsiya Sabha Act No.15 of 1987.	The relevant information should be obtained from the Land Registry and action should be taken to calculate arrears of revenue and to recover.	Even though that task had been assigned to the Revenue inspectors of the Sabha, that task could not be executed as the officers are new officers. The support of the Legal officer of the Sabha will be obtained and further action will be taken.
(b) At the land auction of Divrumpitiya, Nariyamullahena, 22.61 perches less than the land allotted had been transferred to the Sabha.	Action should be taken to acquire the prescribed area or to recover its value.	Action will be taken to assess the value of the relevant land area and to recover the value from auctioneer.
(c) Even though, the all immovable properties of the authoritative area of the Sabha should be assessed once in 05 years to recover rates and taxes an assessment of properties had not been carried out after the year 2012.	The assessment of properties should be done once in 05 years.	Even though, actions has been taken to commence the assessment of properties in the year 2020, it had to be postponed for 02 years on the policy decisions taken by the Government due to the prevailing epidemic situation.