

**Eheliyagoda Pradeshiya Sabha**

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**Ratnapura District**  
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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year under review had been submitted to Audit on 07 August 2015 while Financial Statements relating to the preceding year had been submitted on 12 May 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 09 September 2015.

**1.2 Opinion**

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In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Eheliyagoda Pradeshiya Sabha as at 31 December 2014, and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**  
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Following deficiencies are observed.

- (a.) Although the overdraft according to the Cash Book relevant to a bank account of the Sabah as at the end of the year under review was Rs. 993,208, it had been accounted as Rs. 979,598. Due to that, balancing of the statement of financial position was questionable in audit.

- (b.) In spite of that fact that Court Fines were receivable from the Avissavella and Ratnapura Magistrate Courts for the years from 2012 to 2014, a sum of Rs. 563,249 had been written- off to the Accumulated Fund through Journal Entries, as over billings.
- (c.) Although it was confirmed that the value of balance stock of Ayurvedic Drugs as at the end of the year under review in 04 Ayurvedic Centers as Rs. 584,088, it had been shown as Rs. 577,056 in the statement of financial position.
- (d.) Value of books amounting to Rs. 76,346 destroyed due to floods, pointed out in the Board of Survey Report for the year 2014, had not been removed from the Library Books Account and had not been accounted.
- (e.) Although the difference of Rs. 2,302,797 between the Sundry Deposits Account and the Sundry Deposits Register was pointed out in the audit report for the preceding year, reasons for that had not been looked into and action had not been taken to correct it.
- (f.) Although the value of Value Added Tax as at the end of the year under review was confirmed as Rs. 955,418 through the registers, it had been erroneously shown as Rs. 2,199,749.
- (g.) Fixed Assets amounting to Rs. 52,250 purchased during the year under review not been accounted.

### **1.3.2 Un-reconciled Control Accounts**

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Difference between the balances relevant to 16 Items of Accounts according to financial statements as at 31 December 2014 and the Balances according to subsidiary Registers was Rs.11,986,005.

### 1.3.3 Lack of Evidence for Audit

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Any evidence was not furnished to audit to substantiate that the Equipment valued at Rs.2,467,708 and 03 sheds valued at Rs. 198,498 distributed under Members provision during the year 2013 were provided to the deserving persons having identified the necessity.

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

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Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<b><u>Reference to Laws, Rules, Regulations etc.</u></b>	<b><u>Non-compliance</u></b>
(a.) Pradeshiya Sabha Act No. 15 Of 1987 Section 137 (k)	- Expenditure had been incurred under Members Provisions out of the Sabha Fund for distribution of goods valued at Rs. 375,495 among Organizations like Welfare and Death Donations Societies without approval from the Minister in Charge of the Subject.
(b.) Rules published in the Extra Ordinary Gazette Notification No. 1396/18 dated 08 June 2005 of the Republic of Sri Lanka	- Members Allowance amounting to Rs.180,000 had been paid to 14 Members who did not participate in Sabha meetings and Committee Meetings.
(c.) Circular No. C.L.G. A./03 (1) dated 30 April 2002 of the Commissioner of Local government	- Although it had been informed that products of the Balavinna Concrete Work Shop of the Sabaragamuwa Provincial Council are of high production standard

and that Hume Pipes should be purchased only from the Balavinna Concrete Yard, contrary to that 18 Hume Pipes valued at Rs. 166,200 had been purchased during the year 2014 through private entity located in Kaduwela area.

- (d.) Paragraph two in Circular No.C.L.G. 1./2009 (Amendments) dated 22 December 2009 - Travelling expenses and combined allowance could be paid to the Members only for journeys made directly connected with administrative work to be performed outside the area of authority of the Local Authority in terms of the Circular referred to in. However, a sum of Rs. 69,000 had been paid as combined allowance to Members out of the Sabha Fund during the year 2014 for journeys performed not connected with official duties outside the area of authority of the Sabha.
- (e.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
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- (i.) Financial Regulation 396 (d) - In spite of the procedure explained clearly with regard to cheques issued, but not presented for encashment for more than 06 months, according to the Bank Reconciliation Statement for November 2014 action had not been taken in terms of the Financial Regulation with regard to 127 cheques valued at Rs. 726,812.

(ii.) Financial Regulations 1645

- Daily Running Charts of all vehicles belong to the Sabha had not been furnished to audit for number of years.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the Financial Statements presented, excess of operational revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs. 3,067,093 as compared with the corresponding excess of operational revenue over recurrent expenditure for the preceding year amounted to Rs. 1,522,907.

### **2.2 Analytical Financial Review**

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While the surplus of the operational revenue for the year under review had been increased by Rs. 1,544,186, it was observed as an increase of 101 percent. When compared with the preceding year, increase in Rent, Service Charges, Warrant Costs and Fines, Other Revenue and Government Grants by 10 per cent, 45 per cent, 43 per cent, 31 per cent and 63 per cent respectively and reduction in Expenditure on Planning and Equipment and Transport and Communications by 02 per cent and 19 percent respectively were the main reasons for that.

### **2.3 Revenue Administration**

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#### **2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

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Information furnished relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are shown below.

Item of Revenue	Estimated	Actual	Cumulative arrears as at 31 December
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	Rs '000	Rs '000	Rs '000
(i.) Rates and Taxes	6,375	7,366	10,012
(ii.) Lease Rent	4,685	4,496	1,893
(iii.) License Fees	876	522	38
(iv.) Other Revenue	13,569	13,348	10,489

### 2.3.2 Performance in Revenue Collection

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When actual revenue for the year under review is compared with the estimated revenue, decreases of 9 per cent, 3 per cent, 39 per cent and 37 per cent were reflected in Rates and Taxes, Lease Rent Revenue, License Fees and Warrant Charges and Fines respectively.

### 2.3.3 Rates

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Following observations are made.

- (a.) While Acreage Tax amounting to Rs. 91,903 was outstanding to be recovered from 301 tax payers at the time of audit in Mach 2015, a sum of Rs. 31,574 was outstanding from 18 tax payers who had to pay more than Rs.1,000 as arrears.
  
- (b.) While there are 6700 Rates Units within the Sabha limit, reports relating to arrears of Rates relevant to the year 2014 had not been prepared even as at the date of audit. Rates in arrears more than Rs. 1,000 per unit as at 31 December 2014 amounted to Rs. 5,465,621.

#### **2.3.4 Lease Rent**

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Following observations are made.

- (a.) An arrears amount of Rs. 586,182 relevant to the year under review was outstanding to be recovered from stalls belong to the Sabha, even at the time of audit in Mach 2015.
  
- (b.) Although the Assessed Lease Rent should be revised at least once in five years in terms of Circular No. CLG/2009 dated 09 March 2009 of the Commissioner of Local Government, an updating of charges connected with 71 stalls belong to the Sabha had not been made. It was also observed that, time lapsed agreements had not been updated and that a low rent is recovered from these stalls located in a principal trade centre in the District when compared with the present market rent.

#### **2.3.5 Other Revenue**

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Following observations are made.

- (a.) Annual Survey had not been carried out in order to identify the business entities liable to pay Industrial Taxes, Business Taxes and Trade License Fees located in the area of authority of Pradeshiya Sabha up to the time of audit in March 2015 and therefore a sum of Rs. 63,600 had been lost to the Sabha as Business Taxes from various business entities for the year 2014.
  
- (b.) An arrears amount of Rs. 33,852 was outstanding as at June 2015 to be recovered from 31 water consumers of the Getaheththa Water Scheme managed by the Sabha.

- (c.) While leasing out the Latrine belongs to the Sabha is done for a term of three months, accordingly an arrears sum of Rs 17,917 for water bills was outstanding to be reverred from the lessees too, as at 19 March 2015, date of audit.

### **2.3.6 Court Fines and Stamp Fees**

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Following observations are made.

- (a.) While action had not been taken to identify the Court Fines Revenue Receivable from the Ratnapura and Avissawella Magistrate Courts, a sum of Rs. 2,890,867 received up to December 2013 through the Avissawella Magistrate Court and a sum of Rs. 290,008 received up to January 2012 through the Ratnapura Magistrate Court only had been recorded.
- (b.) Action had not been taken to recover Stamp Fees receivable from Ratnapura Land Registry since April 2014 and Stamp Fees receivable from Avissawella Land Registry since January 2013.

## **3. Operating Review**

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### **3.1 Foreign Travel Expenses**

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- (i.) The entire total sum of Rs. 3,478,590 as incidental expenses and combined allowances totalling to Rs. 1,999,590 and a sum of Rs. 1,479,000 to the Training Institute had been paid out of Sabha Fund without prior approval of the Governor on behalf of 15 Members participated in a training work-shop on Waste Management conducted by a private institution in Thailand from 10 November to 15 November 2014.
- (ii.) In spite of the instruction given by the Secretary to the Ministry of Local Government and Provincial Council, that all expenses to be incurred for foreign training programmes should be born by the institution organizing those in the event of selection of an officer or a member of Local Government a sum of Rs.98,600 had been incurred out of the Sabha Fund on behalf of the Chairman,



as air ticket fare, hotel and lodging facilities, food and travelling facilities. However, again a sum at the rate of US \$ 250 per diem for 06 days had been paid in Sri Lanka Money amounting to Rs. 194,250.

- (iii.) Although a report should be given within one month after end of the training explaining the manner in which to impart the knowledge obtained through foreign training for local utilization, a period of nearly 05 months had elapsed after the end of the training up to the date of this report, but such document had not been submitted.

### **3.2 Streets Lighting**

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- (i.) While a survey had not been carried out to identify the places properly to fix street lamps, street lamps valued at Rs. 1,526,950 had been purchased without taking into consideration quality and prior recommendation of the Pradeshiya Sabha Technical Officer.
- (ii.) While street lighting is in operation disregarding the instruction given through the circular dated 17 October 2010 of the Secretary to the Ministry of Power and Energy, in connection with street lighting, understandings made with the Ceylon Electricity Board for fixing street lamps too was not submitted to the audit.

### **3.3 Operational Inefficiencies**

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Following observations are made.

- (i.) Although 22 Cemeteries out of the Cemeteries situated within the Sabha limit had been identified, action had not been taken to carry out the survey works, vest properly and document those as well.
- (ii.) According to the Register of Loans, loan balances in arrears totalling Rs. 63,583 of 09 officers and employees who had vacated post or left on transfer were outstanding to be recovered to the Sabha Fund.

- (iii.) While deposits totalling Rs. 5,148,828 obtained for various works by the Sabha had been withheld over a period of 27 years without action being taken to release properly or to take them to revenue.
- (iv.) Although a sum of Rs. 25,000 out of the sum of Rs. 133,385 payable to the Department of Pensions as at 31 December 2014 as pension contributions to the Local Government Service Pension Fund on behalf of officers retired or left on transfers from the Sabha had been paid, it was observed that any information such as period of service of those officers, present station in service or addresses, whether they are alive had not been obtained.
- (v.) Action had not been taken to identify and settle the difference of Rs. 12,140 existing in the Bank Reconciliation since January 2012.

#### **3.4 Idle or Under-utilized Assets**

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Following observations are made.

- (i.) The Getahaththa Multi-Purpose Building belongs to the Sabha had not been used for any purpose up to the date of audit and thereby any a source a of revenue had been loss to the Sabha.
- (ii.) While 02 vehicles received to the Sabha from other ministries had not been suitable to the requirements of the Sabha and there had been lack of drivers. Due to those reasons, those vehicles had been parked without being used for any purpose up to February 2015, the time of audit, while those assets had not been included in the Register of Fixed Assets.

### 3.5 Contracts Administration

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Following observations are made.

(a.) Ilukpitiya Dehigahaliyedda Road

Although payments amounting to Rs. 309,982 have been made for 155 cubic meters for the development work of the Ilukpitiya Dehigahaliyedda via Ganhatharawatta Road at an estimated value of Rs. 490,196 implemented under provisions of the Ministry of Local Government and Provincial Councils, it was revealed at the physical inspection that the road had not been properly compacted. Although prior approval of the Agrarian Development Department should be obtained for this construction work to be performed for developing a road by filling a field, it was observed in audit that such approval had not been obtained.

(b.) The Project for Removal of Remnants of the Demolished Buildings

(i.) Under Implementation of Development Projects in the Eheliyagoda Town, parts of buildings in road boundary had been removed. The relevant Project had been implemented having undertaken to bear the transportation expenses of remnants to necessary places through the Pradeshiya Sabha and to reimburse the relevant expenditure without entering into a written agreement.

(ii.) It was not established in audit, that the estimates totalling Rs. 6,277,500 prepared for transportation of remnants from the place near the Eheliyagoda Police Station up to Thalagahamulla and the bills for Rs. 6,274,410 were subject to the recommendation or supervision of the Technical Officer or an Engineer.

(iii.) Although a sum of Rs. 900,000 had been paid during the year 2013 as an advance for the above Work, action had not been taken to get reimbursed that amount from the Urban Development Authority.

- (iv.) The sum of Rs. 900,000 spent as payment of an advance and payments outstanding to be made further had cause a contingent liability of the Pradeshiya Sabha due to intervention in preparation of estimates and providing funds relating to work without a specific conclusion, regarding works which should have been performed by the owners of the relevant properties or by the Urban Development Authority.

#### **4. Systems and Controls**

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Special attention is needed in the following areas of controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management
- (d.) Contracts Management