

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 02 June 2016 and the financial statements for the preceding year had been presented on 07 August 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 30 June 2016.

1.2 Qualified Opinion

In my opinion, except for the effects on the financial statements of the matters shown 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 2015 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 are observed.

- (a) The creditors for the expenditure aggregating Rs.41,820 for the year under review had not been identified and brought to account. As a result, the expenditure and the creditors for the year under review had been understated by similar amounts.

- (b) The stamp duty to be remitted to the Commissioner General of Inland Revenue for the last 6 months of the year under review amounted to Rs.18,782. But, the amount shown in the stamp duty ledger account amounted to Rs.188,132. As a result, the current liabilities of the year under review had been overstated by Rs.169,350.

- (c) (i) According to the bank reconciliation statement, the balance of the current account No.085-1-001-70000674 of the Eheliyagoda branch of the People's Bank as at end of the year under review amounted to Rs.4,373,940. This balance had been shown as Rs.4,387,551 in the financial status statement as at end of the year

under review. Accordingly, the balancing of the financial status statement of the year under review had become contentious in audit.

- (ii) The balance of the said account as per bank reconciliation statement of December of the year under review amounted to Rs.7,132,651. However, this had been shown as Rs.7,086,575.
- (d) The loan obtained from the Local Loans and Development Fund for constructing the Getahetta Multipurpose Building amounted to Rs.12,962,804. Action had not been taken during the year under review to pay the loan instalments or the interest. But, the total instalments for the year under review amounted to Rs.1,073,886. However, the instalments payable had been adjusted in the expenditure of the year under review by journal entry No.38 amounting to Rs.1,180,000. As such, the surplus of the year had been understated by Rs.106,114.
- (e) The balance of the stock of ayurvedic pharmaceuticals as at end of the year under review had been confirmed as Rs.283,187 by the board of survey report. This balance had been noted as the closing balance in the Pharmaceuticals Stock Account and the difference of Rs.799,868 occurred had been adjusted in the accounts as issue of pharmaceuticals by the Journal Entry No.23. None of the issue of stocks of the year under review could be confirmed according to the register of pharmaceuticals stock.

1.3.2 Unreconciled Control Accounts

The following observations are made.

- (a) A difference of Rs.3,135,357 was observed between the balances appearing in the financial statements of the year under review and the subsidiary registers with regard to 09 items of accounts.
- (b) A difference of Rs.1,713,875 was observed while comparing the votes ledger with the register of summary of expenditure relating to Expenditure Head 22 of the year under review.

1.3.3 Accounts Receivable and Payable

According to the register of employees' loans, arrears of loans totalling Rs.63,583 was due from 09 officers and employees who had vacated posts or had gone on transfers.

1.3.4 Non-compliance with Laws, Rules, 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
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(a) Financial Regulations of the Republic of Sri Lanka	
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(i) Financial Regulation 371	Advances granted should be settled by 31 December of the year concerned. However, balances of advances amounting to Rs.2,467,259 remained unsettled since 1995.
(ii) Financial Regulation 396(d)	Action had not been taken in terms of the said regulation with regard to 138 lapsed cheques aggregating Rs.652,116 for the period 2011 to April of the year under review.
(iii) Financial Regulations 570 and 571	Action had not been taken in terms of the said regulation with regard to lapsed deposits valued at Rs.2,327,550 which exists for many years.
(b) Circular No.ප.භ.කො/ 2009 of 09 March 2009 of the Commissioner of Local Government	The assessment of rent should be reviewed at least once in 05 years. However, rent of many stalls of the Sabha had not been updated.

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 2015 amounted to Rs. 6,789,168 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 3,067,093.

2.2 Analytical Financial Review

The financial operating surplus for the year under review had increased by Rs.3,722,075 as compared with the previous year and it was 121 per cent more than the previous year. The increase in recurrent revenue and the decrease in recurrent expenditure of the year under review as compared with the previous year had mainly attributed to this.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information furnished for the year under review with regard to the estimated revenue, actual revenue the arrears of revenue 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	6,981	8,321	10,919
Lease rent	4,264	4,867	1,506
Licence fees	469	383	-
Other revenue	33,895	43,898	33,914

2.3.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed decrease in licence fees and warrant charges and fines collected by 22 per cent and 5 per cent respectively.

2.3.3 Rates and Taxes

A report regarding the rates and taxes had not been prepared even by the date of audit, that is, 20 November 2015. The total arrears receivable on behalf of 2014 amounted to Rs.6,915,973 and a further sum of Rs.3,356,811 was receivable on behalf of the revenue billed for 2015, as at that date. It was observed that it represented 52 per cent of the amount billed as revenue for the year 2015.

2.3.4 Lease Rent

The following observations are made.

- (a) The Eheliyagoda Week End Fair had been given on lease for a monthly lease rent of Rs.68,420 for the year 2015. As a result of the town development work, the collection of

tax had become inoperative since June 2015. No revenue had been earned even by the date of audit, that is, 20 November 2015.

- (b) The Getahetta Week End Fair had been given on lease for a monthly lease rent of Rs.17,925 for the period 01 January 2015 to 31 December 2015. An arrears of rent of Rs.58,247 was due as at 30 September 2015 for about 03 months. A land belonging to a private person had been made available to hold the week end fair of the Sabha for one year by a lease agreement in 2010. Action had not been taken even by 20 November 2015, the date of audit, to extend the period of lease agreement or to legally hand over the land to the owner.
- (c) The tender for the beef stall at Eheliyagoda had been awarded to a particular person from 2011 to 2014 and it was observed that the increase in the amount of tender during this period was a minute amount of Rs.2,200. Accordingly, it was observed in audit that calling for tenders for beef stall at Eheliyagoda had not been done in a regular manner and the Sabha had been deprived of an extensive revenue as a result of not calling for open tenders.
- (d) Ten per cent of the land sold by auction within the authoritative area of the Sabha should be vested with the Sabha by a deed for public usage. The extend of land sold by auction at Divurumpitiya Nariyamullahena was 476.11 perches. However, 25 perches of land only had been vested with the Sabha. The original title deed of this had not been furnished to audit and evidence had not been furnished to audit to prove that the land had been rested by a deed. The land had been covered with shvubs and the boundaries of the land could not be identified. A protective fence was not available and a notice board showing that the land belongs to the Sabha was not in existence. The land was a watery land with slopes which cannot be used. Accordingly, the Sabha had failed to separate the legally entitled land and the usable land. In addition, 05 years had elapsed since the auctioning of the land. However, water facilities had not been made available to the block of land even by 20 November 2015.
- (e) An arrears of Rs.43,650 was due from the stalls of the trade complex of the Sabha for the period January 2012 to September 2015.

2.3.5 Licence Fees

- (a) An annual survey had not been carried out up to the date of audit of 20 November 2015 in order to identify the institutions within the authoritative area of the Sabha from which work tax, business tax and trade tax could be recovered. Registers of revenue had been maintained on the basis of revenue collected according to the category of business.

- (b) The tax imposed during the year under review under the business licences and work tax should have been paid to the Sabha before 01 April of the year under review. However, 15 instances were observed. Where this had not been done. Meanwhile, the legal action to be taken against the institutions which had neglected paying licence fees and the tax concerned after 01 April had not been published in the Government Gazette in terms of the Gazette Notification No.1894 of 19 December 2014 of the Democratic Socialist Republic of Sri Lanka.

2.3.6 Other Revenue

The following observations are made.

- (a) The balance of acreage tax of Rs. 53,179 due for a long time had not been recovered from lessees even by 20 November 2015, the date of audit.
- (b) In latrine of the Sabha had been given on lease every three months. The lease agreement had not been renewed after 30 September 2015. As a result, the Sabha had been deprived of its revenue. Further, action had not been to recover the arrears of lease rent and water charges amounting Rs. 17,917 and the arrears for the period 01 June 2015 to 30 September 2015 amounting to Rs. 13,950 up to the date of audit of 20 November 2015.

2.3.7 Court Fines and Stamp Fees

The following observations are made.

- (a) Action had not been taken to identify and recover the stamp fees due from the Land Registry, Avisawella for the period January to December 2013. The arrears of stamp fees amounting to Rs.7,238,054 for July to December 2014 had not been received. Further, action had not been taken to identify the stamp fees receivable from February to October. Stamp fees had to be identified and recovered from the Land Registry, Colombo for the period January 2014 to October 2015, from the Land Registry, Ratnapura for the period September 2014 to October 2015, from the Land Registry, Horana for the months of January, March, April, May, August and November of 2014 and for the period January to October 2015. Meanwhile, the stamp fees of Rs.258,020 receivable for February, June, July, September, October and December 2014 had not been recovered even by 20 November 2015.
- (b) The court fines receivable from the Avissawella Magistrate's Court for the period April to December 2014 and from January to October 2015 and the court fines due from the Ratnapura Magistrate's Court for 2012, 2013, 2014 and January to October 2015 had not been identified and recovered.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) An expenditure of Rs.900,000 had been incurred on advances during 2013 without the authority of the approval of the Sabha for removal of deloris of the buildings demolished by the Urban Development Authority under the Eheliyagoda town Development Project. The Urban Development Authority had not made any provision for this project upto the date of audit of 20 November 2015 and as such the advance paid had become an additional burden to the funds of the Sabha.
- (b) Security deposits of the employees amounting to Rs.49,273 had been retained from 4 officers of the Sabha who had either retired or had been transferred. Without being released to them even by 20 November 2015, the date of audit.
- (c) The arrears of the official residential telephone of the Chairman amounting to Rs.18,825 had not been paid even by 20 November 2015, the date of audit.
- (d) Only 22 out of the entire number of crematoriums within the authoritative area of the Sabha had been identified. However, even those crematoriums had to be surveyed and properly vested with the Sabha and entered in registers.
- (e) Action had not been taken to settle the arrears of Rs.108,385 payable to the Director General of Pensions even by the date of audit, that is, 20 November 2015.
- (f) Action had not been taken to identify and settle the differences of Rs.2,300 and Rs.12,140 respectively appearing in the bank reconciliations of June 2011 and January 2012.
- (g) An expenditure of Rs.273,950 had been incurred by 30 June 2015 on legal charges on behalf of 10 court cases pending since 2006. However, this continued to be unsettled even by 20 November 2015, the date of audit.

3.2 Contract Administration

The Eheliyagoda Pradeshiya Sabha had executed the Divurampitiya Water Scheme in 2009 under the provision of the Chief Ministry of the Sabaragamuwa Provincial Council at an estimated cost of Rs. 5,379,264. The expenditure incurred up to 20 November 2015, the date of audit amounted to Rs. 6,740,431. A physical verification revealed that the objective of the project had not been achieved. Many years had elapsed since the construction of water storage tank, well and the motor room. However, a protective fence had not been built. Bushes had overgrown the premises. Further, action had not been taken to legally acquire the land of the water storage tank up to the date of audit of 20 November 2015.

3.3 Operating Inefficiencies

3.3.1 Irregular Transactions

Members' allowances of Rs. 40,000 had been paid to 02 members who had not participated in the sessions of the Sabha/ not furnished medical certificates, contravening the Gazette Extra Ordinary Notification No.1396/18 of 08 June 2005.

3.4 Assets Management

Idle and Under Utilized Assets

- (i) Two galie bowsers bearing No.RD-5104 and No. RD – 6461 received as donations from the office of the Sabaragamuwa Provincial Council and from the Ministry of Local Government in 2013 and 2014 were lying idle without being used for any purpose since the dates of arrivals. A cab bearing No.LF-4825 and a three wheeler bearing No.QB-4780 also had been parked without being used. Proper action had not been taken in this regard even by the date of audit, that is, 20 November 2015.

- (ii) Many years had elapsed since the completion of work of the Getahetta Multipurpose Building. 14 air conditioners valued at Rs.1,625,866 had been installed on 06 December 2014. This building remained idle up to the date of audit and the surroundings of the building had become dirty. The unauthorized temporary stalls on the access road had not been demolished and the access road cleared. This position had continuously been pointed out in audit. However, the buildings belonging to the Sabha had not been used for any purpose. As a result, the revenue obtainable by the Sabha had been deprived of. It was further observed in audit that the existence of the building was subjected to risks.

- (iii) The motor grader received at the Sabha from the Ministry of Local Government on 06 February 2015 remained parked at the old Sabha building without being used for any purpose even by the date of audit of 20 November 2015 as it was not suitable for usage by the Sabha and due to lack of a driver.

3.5 Delays in Projects

The Sabha had granted advances amounting to Rs.955,374 for 07 jobs. These advances had not been settled even by the 20 November 2015, the date of audit. Similarly, information to show that those works had been implemented had not been furnished to audit.

3.6 Solid Waste Material Management

The following observations are made.

- (a) A physical verification was carried out with regard to the construction of the Kohiladeniyawaththa Compost Fertilizer Division on 20 November 2015 and it was observed that the building on a 2 acres land had been covered with shrubs. The semi prepared garbage brought from Beruwanawaththa Compost Fertilizer Division had been stacked at random, mixed with polythene, without being used for production of compost. Further, garbage had been strawn here and there in the open premises of the building. The polythene, tins, plastics etc., contained in it had been burnt in the open premises and the tins, plastics, bottles etc., collected under the Dengue Devastation Project for about one year had been stored in the premises without any action being taken. It was not confirmed that it had been subjected to supervision by a responsible officer of the Sabha and a log book had not been maintained. It was observed in audit that this project implemented within the village may affect the health conditions of the public and due care should be taken in this matter.

- (b) An agreement had been entered into between the Chairman of the Eheliyagoda Pradeshiya Sabha and the contractor for Rs.4,034,056 on 20 April 2015 under the provision made by the Ministry of Provincial Councils and Local Government for constructing the Compost Fertilizer Division at Beruwanawaththa. A physical verification carried out on 19 November 2015 together with the technical officer revealed that garbage continued to be disposed of, in an open space at Beruwaanawattha for about one year. The compost fertilizer operations had not been properly done. Further, it was observed that the construction work of the building continued to be carried out slowly.

4. Good Governance and Accountability

4.1 Budgetary Control

The following observations are made.

- (a) The entre provision of Rs.2.021,000 made for 23 objects had been used for anu purposes.

- (b) Out of the entire provision made for 39 Expenditure Heads during the year under review, a sum of Rs.11,542,513 had been transferred among 62 Expenditure Heads. But, the approval of the Sabha or the recommendations of the Committee had not been obtained in this connection.

4.2 Annual Procurement Plan

An annual procurement plan had not been prepared and action taken accordingly.

4.3 Internal Audit

Necessary facilities had not been provided for implementation of an internal audit unit.

4.4 Implementation of Audit and Management Committees

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

5. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Contract Administration
- (e) Solid Waste Material Management