

Eheliyagoda Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the sabha on 18 June 2018.

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 2017 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) As payable amount of Rs.95,168 as at 31 December of the year 2017 had not been brought to account, the operational expenditure of the year under review had been understated by similar amount.
- (b) Even though, the interest of fixed deposits relating to the year under review had been Rs.108,438, it was brought to account as Rs.70,688. As such the interest revenue had been understated by Rs.37,750.
- (c) Fixed assets amounting to Rs.171,803 purchased during the year under review had not been capitalized. As such the fixed assets had been understated by similar amount.
- (d) A sum of Rs.158,294 incurred for purchase of fixed assets had been brought to account under recurrent expenditure and as such the operating expenditure of the year under review had been overstated by similar amount.
- (e) Tender deposits refunded during the year under review amounting to Rs.77,630 had not been brought account and as such the balance of the tender deposit account had been overstated by similar amount.

- (f) Without being identifying the actual court fines and stamp fees relating to the year under review, the estimated values amounting to Rs.9,000,000 and Rs.10,000,000 respectively had been brought to account.

1.3.2 Unreconciled Accounts

The following matters were observed.

- (a) A difference amounting to Rs.1,281,725 was shown 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 06 items of accounts.
- (b) A difference of Rs.137,764,456 was shown between the balances as per financial statements and the balances shown in the notes relating to that with regard to 02 items of accounts.

1.3.3 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 | Value | Non-compliance |
|---|--------------|--|
| ----- | ----- | ----- |
| | Rs. | |
| (a) 1988 Pradeshiya Sabha (Financial and Administration) Rules Rule 204 | 19,320 | Action had not been taken on the shortages of 16 items and 05 items which value had not been identified stated in the Boards of Survey Report for the year 2016. |
| (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka ----- Financial Regulation 371(2)(c) | 1,326,035 | The advances granted in 57 instances during the period from the year 1995 to 2014 had not been settled. |

(c) 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, the written information had been made to remove or regularize the 35 unauthorized constructions identified during year under review, no response whatsoever had been received. The Sabha had not taken action to remove those constructions.

(d) Paragraph 1.10 of the Local Government Circular No.2009/01 dated 09 March 2009.

102,035

A trade stall situated in the bus stand, Eheliyagoda had been sub-leased from the year 2007 and the Chief Minister had approved to regularize the sub-lease and to recover the arrears of lease rent. Nevertheless, action had not been taken so on and the arrears of lease rent as well had not been recovered.

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 2017 amounted to Rs.15,589,017 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.12,823,818.

2.2 Revenue Administration

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

The information with regard 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 | 2017 | | | | 2016 | | | |
|-------------------|-------------------|----------------|-------------------|---------------------------------|-------------------|----------------|-------------------|---------------------------------|
| | 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 | 8,477,000 | 9,023,814 | 8,573,527 | 13,490,044 | 6,688,000 | 9,038,963 | 7,315,517 | 12,779,273 |
| Lease Rent | 6,738,900 | 7,033,416 | 7,216,722 | 685,781 | 4,364,800 | 5,944,926 | 6,484,031 | 879,597 |
| Licence Fees | 881,650 | 1,035,707 | 1,007,807 | 91,000 | 777,000 | 804,452 | 822,444 | 17,550 |
| Other Revenue | 23,638,500 | 22,981,403 | 33,438,251 | 20,002,855 | 16,242,850 | 16,758,442 | 12,731,148 | 17,344,982 |

2.2.2 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, licence fees and other revenue by 01 per cent, 07 per cent, 14 per cent and 96 per cent respectively and revenue collected with regard to the revenue items such as service charges, warrant charges and fines and contribution made by the Government had decreased by 36 per cent, 26 per cent and 02 per cent respectively as compared with the estimated revenue.

2.2.3 Rates and Taxes

(a) Rates

The balance of arrears of rates as at 31 December 2017 amounted to Rs.13,117,151 and it included a balance amounting to Rs.6,755,238 receivable from 960 units which remained brought forward for over a period of 05 years. The action of the Sabha relating to the recovery of areas of rates had remained at a weak level.

(b) Acreage Tax

The arrears of acreage tax as at 31 December 2017 amounted to Rs.185,630 and it included a sum of Rs.158,438 recoverable from 121 units brought forward for over a period of 05 years. The actions of the Sabha for recovery of arrears had remained at weak level.

2.2.4 Lease Rent

The following matters were observed.

- (a) The Sabha had failed to recover trade stalls rent in respect of the years 2013 and 2015 amounting to Rs.352,209 recoverable from the mutton and poultry shops in Eheliyagoda

belonging to the Sabha. It was an impediment to recover the arrears of lease rent as the proper agreements had not been entered into.

- (b) The lessee had not paid the money in terms of the verdict given by the District Courts, Avissawella in respect of arrears of lease rent amounting to Rs.252,909 which should have been recovered in the year 2012 on behalf of the weekly fair, Eheliyagoda and the recoverable amount as at the end of the year under review had been Rs.180,000.

2.2.5 Licence Fees

In terms of the National Environmental Act No.47 of 1980 as amended by the Acts No.56 of 1988 and No.53 of 2000 and the Regulations imposed there to, 03 business places which should be renewed the licences for the years 2016 and 2017 had not renewed the Environmental Protection Licences and as such a revenue of Rs.13,200 had been deprived by the Sabha. A timely evaluation in respect of the environmental effect in maintaining those businesses had not been carried out.

2.2.6 Other Revenue

The Sabha had failed to recover a sum of Rs.76,750 recoverable for 06 advertising hoardings displayed within the authoritative area of the Sabha.

2.2.7 Court Fines and Stamp Fees

The following matters were observed.

- (a) The Sabha had failed to recover court fines totalling to Rs.10,223,983 recoverable for the period from January 2016 to December 2017 even by March 2018.
- (b) The Sabha had failed to identify and recover the stamp fees recoverable in respect of the period from July 2016 to December 2017 even by March 2018.

3. Operating Review

3.1 Performance

The matters revealed on the execution of activities to be carried out by the Sabha such as regularize and control over the matters relating to the public health, public utility services and public roads and comfort, facilities and well being of the people under Section 3 of the Pradeshiya Sabha Act, are given below.

(a) Action Plan

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

(b) Solid Waste Management

The following matters were observed.

- (i) Two centres had been constructed by the Sabha with an objective for collection of solid waste and to manufacture composts in the place of disposing waste in the Beruwanawatta in the Kohiladeniya area. As manufacturing of compost had been stopped from the beginning of the year 2016 and the waste had been collected without being separated as solid waste and bio degradable waste, the 2 centres constructed by incurring a sum of Rs.6,180,880 and 2 compost manufacturing machines had remained idle even by the end of the year under review.
- (ii) As the bio degradable waste and solid waste collected by the Sabha had been irregularly disposed to an open land in an extent of about 1 acre of the Beruwana area, a severe environmental damage was shown.
- (iii) Even though, a foreign training in respect of the waste management had been provided to the Sabha Representatives by incurring Rs.1,805,340 in the year 2014, a quality development in the waste management in the authoritative area of the Sabha had not been shown and as such the expenditure incurred had become fruitless.
- (iv) Even though, the sewage and scavenging service and the fees charged thereon had been shown as a matter subject to the by-laws in terms of the Section 126(ix)(b) of the Pradeshiya Sabha Act No.15 of 1987, the Sabha had failed to impose by laws in respect of scavenging service and to implement it.

(c) Sustainable Development Goals

As the Sabha had not aware of the “2030 Agenda of the Sustainable Development Goals”, the long term plans had not been prepared to upgrade livelihood and health of the people living in the authoritative area of the sabha through global indicators for the above objectives even by May 2018.

3.2 Human Resources Management

Staff loans

The Sabha had failed to recover outstanding staff loans totalling Rs.56,054.

3.3 Operating Inefficiencies

In 07 land auctions carried out in the authoritative area of the Sabha during the period from the year 2015 to 2017, the Sabha had recovered only a sum of Rs.762,970 equivalent to 1 per cent based on the temporary assessment on the sales value of the lands. Even though, a tax equivalent to 1 per cent of the money received from the land sale should be recovered in terms of the Sub-section 154(1) of the Pradeshiya Sabha Act No.15 of 1987, action had not been taken to identify that value and to recover.

3.4 Assets Management

3.4.1 Failure to ensure the Security of Assets

A security fence had not been constructed around the land plot of 25 perches vested to the Sabha for common purposes in the land auction of Diurumpitiya, Nariyamullahena and had not been named as a land belonging to the Sabha, while the shrubs had grown in the land. An adequate attention had not been paid in respect of protection of the assets belonging to the Sabha and utilizing for the expected activities.

3.4.2 Assets not Transferred

In the Diurumpitiya Nariyamullahena land auction 10 per cent out of the land extent to be allocated for common purposes, but the land had been transferred less of 22.61 perches to the Sabha. The Sabha had failed to acquire the due extent of the land or to recover the value of it even by March 2018.

3.5 Procurements

3.5.1 Procurement Plan

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

3.5.2 Supplies and Services

A digital photocopy machine, 02 laptop computers and 04 desktop computers had been purchased during the year under review. In purchasing of those articles, a sum of Rs.535,000 had been paid to a private institution without a recommendation of a Technical Evaluation Committee that the goods were in accordance with the specifications in terms of the Guideline 8.12.1 (a) of the Procurement Guidelines.

4. Accountability and Good Governance

4.1 Budgetary Control

The entire provisions made for 09 Objects had been saved.

4.2 Internal Audit

An internal audit for the year under review and for preceding year had not been carried out.

4.3 Audit and Management Committees

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

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha. Special attention is needed in respect of the following areas of control.

System

Deficiency

(a) Accounting

(i) Failure to identify expenditure.

(ii) Under statements of Revenue.

(iii) Un-reconciliations of ledger accounts and subsidiary registers.

(iv) Un-reconciliations of financial statements and notes thereon.

(b) Revenue Administration

Non-recovery of due revenue.

(c) Solid Waste Management

Not disposed properly.

(d) Assets Utilisation

Idle and underutilized assets.

(e) Budgetary Control

Savings on provisions.