

**Elpitiya Pradeshiya Sabha**

**Galle District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 27 April 2012 and the financial statements for the preceding year had been presented on 31 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 23 November 2012.

**1.2 Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Elpitiya Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Elpitiya Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations and cash flows for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Policies**

Accounting policies followed by the Sabha in preparation of the financial statements had not been disclosed with the financial statements.

**1.3.2 Lack of Evidence for Audit**

**(a) Unanswered Audit Queries**

Replies to 17 audit queries had not been furnished even as at 31 December of the year under review. The value of quantifiable transactions relating to the audit queries amounted to Rs.9,924,527.

**(b) Non-submission of Information to Audit**

Transactions totaling Rs.57,322,435 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

## 2. Financial and Operating 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 2011 amounted to Rs.6,038,427 as compared with the excess of revenue over recurrent expenditure amounting to Rs.2,240,088 for the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review, as presented by the Chairman is given below.

	<u>Item of Revenue</u>	<u>Estimated</u>	<u>Actual</u>	<u>Cumulative Arrears as at 31 December</u>
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		Rs.000'	Rs.000'	Rs.000'
i.	Rates and Taxes	2,735	3,415	4,008
ii.	Lease Rent	1,328	2,072	423
iii.	Licence Fees	1,002	699	-
iv.	Other Revenue	29,256	29,366	7,973

#### 2.2.2 Court Fines and Stamp Fees

Money receivable as at 31 December of the year under review from the Chief Secretary of the Provincial Council and other authorities were as follows.

	Rs.
i. Court Fines	304,250
ii. Stamp Fees	7,669,685

#### 2.2.3 Lease of Stalls

Thirty one stalls at the Super Market Complex had been leased out in year 2003 by entering into agreements. The following observations are made.

- i. Lease rent in arrears due from 17 lessees as at 31 December 2011 amounted to

Rs.229,555 and only a sum of Rs.99,670 had been recovered as at 23 May 2012, the date of audit examination.

- ii. According to the Circular No.දපපා/පපාකො/2010/1 dated 27 December 2010 of the Commissioner of Local Government, Southern Province, every agreement should be updated once in 03 years. But, action had not been taken accordingly.
- iii. Stall rent had not been fixed for all the stalls based on the assessment obtained from the valuer in terms of Paragraph 02 of the Circular.

#### **2.2.4 Hiring of Bacho Machine**

The following observations are made.

- i. According to the Form use for giving Bacho machine on hire, advances should be obtained based on the recommendation of the Technical Officer. Nevertheless, instances were observed where Bacho machine had been given on hire obtaining advances without the estimates of the Technical Officers.
- ii. A sum of Rs.107,270 had been due as at 23 May 2012, the date of audit examination for the Bacho Machine given on hire to Members of the Sabha during the preceding year and the year under review.
- iii. A sum of Rs.83,130 was due for the Bacho machine given on hire to an outside party for 48.9 Metre Hours from 14 to 22 September 2011 and of this, only a sum of Rs.51,000 had been recovered and the balance sum of Rs.32,130 had not been recovered even up to 23 May 2012, the date of audit examination.

#### **2.3 Irregular Transactions**

Five payment vouchers totaling Rs.216,329 had been paid during the year under review without certifying.

#### **2.4 Contract Administration**

The following matters were observed.

**2.4.1 Project for Infrastructure Development of Local Authorities Implemented under Asian Development Bank Aid**

An agreement had been entered into with a private company at a value of Rs.29,259, 386 on 14 July 2010 for the above project. The constructions should be completed by 05 March 2011. An expenditure of Rs.15,849,990 had been incurred for the 04 roads under the package relating to the said agreement by 23 May 2012, the date of audit examination.

The field inspection carried out on 21 May 2012 revealed the following matters.

**(a) Improvements to the Wallabagala Road (1000 Metres)**

The construction had been completed at an expenditure of Rs.1,097,645 and the entire distance of 01 K.M. of the surface of the road had been sunken and there were pot holes due to this.

**(b) Mahajana Mawatha (840 Metres)**

A sum of Rs.1,198,887 had been spent on this construction. According to the specifications, the surface of the road should be leveled by using ABC metal and MC 30 Liquid Tar should be applied as the prime coating and subsequently first and second tar coating should be done . But, the Water Supply and Drainage Board had dug drains along the right side of the road for laying water pipes while only the MC 30 Liquid Tax coating had been completed from the starting point of the road which begins at Elpitiya- Pitagala road up to 606 Metres and due to this the road had been badly damaged and there were pot holes too. The constructions had been completed only from 606 KM to 840KM of the road.

Although the value agreed for the furniture for the Site Engineer's Office as per the Bill of Quantities amounted to Rs. 10,000, a sum of Rs.33,677 had been paid on 12 July2011. The Contractors and the Site Engineer's Office had been closed by 21 May 2012, the date of audit examination, but the relevant furniture had not been taken over by the Sabha.

**(c) Ella- Uranwala- Talawa Centric Community Hall**

An agreement had been entered into with a Samurdhi Society at a sum of Rs.497,890 on 20 November 2006 for the above work. The contract period was 03 months. However, the work had been abandoned after paying Rs.137,992, on 24 January 2007. Subsequently, agreements had been entered into with another Samurdhi Society on 27 October 2010 and 06 December 2010 based on an estimate of Rs.300,000 and an additional estimate of Rs.44,212 respectively. A sum of Rs.256,098 and a sum of Rs.39,779 respectively had been paid to the said Society too

on 06 January 2011 on the payment reports dated 14 December 2010.

The following observations are made.

- i. Five years and six months had passed since the commencement of this construction work and a sum of Rs.433,869 had been spent from the Sabha funds on this work. But, the progress of the construction was only 40%.
- ii. The Divisional Secretary, Elpitiya had plastered two rooms of the building without any approval or supervision by the Sabha.

## **2.5 Operating Inefficiencies**

The following observations are made.

### **2.5.1 Library Books**

The value of 3,075 books misplaced at the Public Library of the Head Office was Rs.267,150. Although 265 books at the Sub-office, Goluwamulla-Omatta and 77 books at the Sub-Office, Ambana-Kahaduwa had been misplaced, the loss on those had not been computed and action in terms of Financial Regulation 156 of the Republic of Sri Lanka had also not been taken in this connection.

Proper action had not been taken in respect of 617 books lend to the readers but not returned duely.

### **2.5.2 Corporate Plan and the Action Plan**

A corporate plan and an action plan had not been prepared. A procurement plan also had not been prepared.

## **2.6 Internal Audit**

An adequate internal audit had not been carried out within the institution and an Audit and Management Committee had not been established.

## **3. Systems and Controls**

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management