

**Elpitiya Pradeshiya Sabha**  
**Galle District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 28 March 2014 while Financial Statements relating to the preceding year had been submitted on 10 May 2013. The Auditor General's Report relating to the year under review was issued to the Chairman on 22 December 2014.

**1.2 Opinion**

In my opinion except for the effect on the matters described in paragraph 1.3 of this report financial statements give a true and fair view of the financial position of the Elpitiya Pradeshiya Sabha as at 31 December 2013 and its financial performance and cash flow for the year then ended in accordance with generally accepted accounting principles.

**1.3 Comments on Financial Statements**

**1.3.1 Non-compliance with Public Sector Accounting Standards**

Although all Local Authorities should prepare the financial statements according to the Sri Lanka Public Sector Accounting Practices with effect from 01 January 2011, in terms of circular No.PED/54 dated 19 January 2010 of the Director General of Public Enterprises, those standards had not been followed.

**1.3.2 Accounting Deficiencies**

Following observations are made.

- (a.) Provision had not been made for a sum of Rs. 744,847 payable in respect of 22 Development Projects as at 31 December 2013. Due to that, the Capital Expenditure of the year under review and Creditors had been understated in a sum of Rs. 744,847.
- (b.) A sum of Rs. 49,565 paid as retention money of the work relating to spreading inter connected stone blocks in Amugoda Sub-way, which is a Development Project of the preceding year had been shown as Capital Expenditure of the year. Due to that, the Capital Expenditure of the year under review and Creditors had been understated in a sum of Rs. 49,565.
- (c.) A sum of Rs. 32,148,318 paid had been debited to the Work Creditors Account for Works relating to the preceding year, for which provision had not been made. Due to that, the Creditors Balance had been understated in a sum of Rs. 32,148,318 in the financial statements.

- (d.) Fixed Assets totalled to Rs. 2,017,815 as Community Centre constructed for Ella Uranwala and Thalawa Area having spent a sum of Rs. 1,247,565, and Children Park constructed near Ananda Junior School having spent a sum of Rs. 770,250 had not been capitalized.
- (e.) Sports Equipment valued at Rs. 1,444,500 purchased by the Sabha for Elpitiya Children's Stadium during the preceding year had been capitalized as Rs. 1,083,375. Due to that, Fixed Assets and Contribution from Revenue to Capital Outlay Account had been understated in a sum of Rs. 361,125.
- (f.) Value of the Land called Ambagahawatta / Kanaththawatta amounting to Rs. 300,000 received to the Sabha on a Deed of Bequest had not been capitalized.
- (g.) Although the Stamp Fees Revenue Receivable for the year under review is Rs. 12,165,455, it had been provided as Rs. 10,000,000 in the financial statements. Due to that, revenue for the year and debtors had been understated in a sum of Rs. 2,165,455.
- (h.) Although the Court Fines Receivable for the year under review is Rs. 2,304,783, it had been shown as Rs. 2,225,000 in the financial statements. Due to that, revenue for the year and debtors had been understated in a sum of Rs. 79,783.

### **1.3.3 Non-reconciled Control Accounts**

A difference of Rs. 33,883,774 was observed between the total of balances according to control accounts relevant to 07 items of accounts and the balances according to subsidiary registers.

### **1.3.4 Lack of Evidence for Audit**

Evidences such as Title Deeds, up dated Register of Fixed Assets, Board of Survey Reports, Age Analysis, up dated Deposits Register etc. connected with transactions totalling Rs. 63,800,268 shown in the financial statements were not furnished to audit.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2013 amounted to Rs. 6,006,487 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 5,432,236.

## **2.2 Revenue Administration**

### **2.2.1 Rates and Acreage Tax**

The balance of Rates in Arrears as at 31 December 2013 was Rs.6,490,272 and the balance of Acreage Tax in arrears was Rs.250,892. Following matters were observed in this connection.

- (i.) Payment of Rates Balances in Arrears exceeding Rs.10,000 and totalling to Rs.1,194,333 as at 31 December 2013 had been defaulted continuously by 47 Rate Payers.
- (ii.) Action in terms of Section 158 of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover the Rates Balances in Arrears amounting to Rs.6,490,272 and the Acreage Tax in arrears amounting to Rs. 250,892.

### **2.2.2 Weekly Fair Tax**

Action had not been taken to recover lease rent in arrears for the year 2012 of the Atakohota Weekly Fair amounting to Rs.19,166 even up to 30 March 2014.

### **2.2.3 Court Fines and Stamp fees**

Courts Fines amounting to Rs. 2,440,583 and Stamp Fees amounting to Rs. 9,543,000 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013.

### **2.2.4 Lease of stalls**

Following matters were revealed in connection with the lease of stalls in the Public Market and the Super Market belongs to the Sabha.

- (i.) Although it has been informed in term of the Circular No.SLG/CLG/2010/01 dated 27 December 2010 of the Southern Province Commissioner of Local Government that every agreement should be updated once in every 03 years in leasing out the stalls, the agreements relating to all these stalls were old for more than 03 years.
- (ii.) According to paragraph 6 of the above circular, a new assessment should be made at least once in 05 years with regard to stalls rent. Although the new assessment value of all these stalls had been obtained to the Sabha accordingly in May 2013, action had not been taken to recover lease money according to that newly assessed value even as at 25 March 2014, date of audit and therefore a revenue of Rs. 1,272,645 had not been received to the Sabha.
- (iii.) When the payment of lease rent on the date specified in agreement is in default continuously for three months, although the Pradeshiya Sabha has the power to eject the lessee on that reason alone after recovering the rent in arrears, such action had not been in connection with 23 stalls.

### **3. Operational Review**

#### **3.1 Operating inefficiencies**

A sum of Rs. 33,534 to be recovered from 07 employees who were in service of the Sabha and left on transfers, retired and vacated post had been outstanding over a period ranging from 01 to 06 years.

#### **3.2 Idle Assets**

It had been informed to prepare a scheme for disposal of old vehicles and machinery getting destroyed without being used in Government Institutions by 05 September 2013, vide Circular No.PC/MD/FR/2013 dated 05 June 2013 issued by the Secretary to the President with regard old vehicles and machinery getting destroyed without being used. It was observed in the audit inspection carried out on 24 March 2014, that a cab vehicle and a bowser belong to the Sabha had been kept in the Sabha Premises getting corroded over a period more than 05 years.

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

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

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