

Elahera Pradeshiya Sabha
Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 10 May 2015 while Financial Statements relating to the preceding year had been submitted on 24 September 2014. The Auditor General's Report relating to the year under review was sent to the Chairman on 30 July 2015.

1.2 Opinion

My opinion is that the financial statements give a true and fair view of the financial position of the Elahera Pradeshiya Sabha as at 31 December 2014 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

Following Accounting Deficiencies are observed.

- (a) Although the Work Debtors relevant to the year under review had been shown as Rs.18,017,398 in the financial statements as at 31 December 2014, according to the Registers, that balance had been Rs.19,333,066 and therefore the Work Debtors had been understated by a sum of Rs.1,915,668.
- (b) The balance of Rs.179,200 in the savings account opened on 10 August 2010 for construction of Library Building, Clinic Centre and the Conference Hall had been omitted in the financial statements.
- (c) Work Creditors amounting to Rs.20,300,065 of the year under review had not been accounted under Creditors in the statement of financial position.

- (d) Water Charges in arrears amounting to Rs.202,794 due from water consumers as at 31 December 2014 had been omitted from the value of Creditors in the statement of financial position.
- (e) Although the Service Charges Revenue for the year under review of the Programme 4 was Rs.3,008,063, it had been shown as Rs.2,830,322 in the Revenue and Expenditure account. Due to that, Water Charges Revenue had been understated I a sum of Rs.177,741 in the Revenue and Expenditure account.
- (f) While the total of Accounts Payable as at 31 December 2014 was Rs.4,988,820, it was observed that a sum of Rs.1,898,265 out of that had been an amount payable as Sabha contribution relevant to the construction of new building of the Sabha since the year 2012.

1.3.2 Lack of Evidence for Audit

Transactions valued at Rs.95,016,064 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

1.3.3 Non-compliances

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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| <p>(a) Section 23 (1) in Chapter iii of the Manual of Procedure published through the Extra Ordinary Gazette Notification No. 1589/30 dated 20 February 2009 of the Secretary to the Public Service Commission.</p> | <p>Although an acting Secretary had been appointed to perform the duties of the Post of Secretary with effect from 03 June 2013 by the Commissioner of Local Government, the relevant approval had not been granted for that by the North Central Provincial Public Service Commission.</p> |
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- (b) Financial Regulations of the Republic
of Sri Lanka

F.R. 571

Action had not been taken with regard to 52 Refundable Deposit balances, valued at Rs.260,000 which had elapsed more than a period of 2 years.

- (c) Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government Although the rent of 50 stalls belong to the Sabha should be revised at least once in 05 years, action had not been taken accordingly.

1.3.4 Accounts Receivable

While the total of Accounts Receivable balances as at 31 December 2014 was Rs.24,661,407, a sum of Rs.153,774 out of that had been continuously shown as Unidentified Revenue in Arrears during more than a period of 5 years in the statement of financial position.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs.437,239 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.668,845.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	1,065	650	550
Lease Rent	10,975	2,192	557
Licence Fees	490	68	--
Other Revenue	37,284	23,384	35,232

2.2.2 Rates

The Sabha had not paid an adequate attention to recover Rates in Arrears amounting to Rs.576,571 that had been outstanding during a long period of more than 5 years from 55 rate payers.

2.2.3 Stalls Rent

The Sabha had not paid an adequate attention to recover Rent in Arrears amounting to Rs.219,182 due from 13 stalls in Bakamoona, Elahera that had been outstanding for more than a year.

2.2.4 Court Fines and Stamp Fees

Court Fines amounting to Rs.2,702,975 and Stamp Fees amounting to Rs.666,500 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

3. Operational Review

3.1 Idle and Under-utilized Physical Assets

A cab vehicle valued at Rs.1,707,175, Rice Flour Production Set and that building belong to the Sabha had remained idle over a period between 5 – 7 years.

3.2 Contracts Administration

- (a) Although the Jayasiripurapitiya Road Development Project under the provisions of Roads Development Project for Laying Block Stones on Roads of the Roads and Urban Development Ministry had been entrusted to a Samurdhi Development Society having signed agreement for a sum of Rs.498,569 on 15 June 2014, that work had not been performed by the contractor within the relevant period. The Sabha had not paid attention with regard to that even up to 20 July 2015, date of audit.

- (b) Although the full amount of Rs.7,960,164 had been paid to the relevant contractors without withholding 10 per cent retention, when making final payment for 16 roads repair works performed during the years 2013 and 2014 under the Maga Neguma Rural Development Programme, a certification had not been obtained from a Technology/Technical Officer to the effect that those works were in proper condition during the relevant period.

3.3 Internal Audit

While an internal audit had not been carried out in the Sabah during the year under review and the previous years, an adequate audit had been carried out in the Sabha by the Local Government Department as well.

4. Systems and Controls

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

- (a) Accounting
- (b) Internal Control
- (c) Assets Management