

**Elpitiya Pradeshiya Sabha  
Galle District**

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**1. Financial Statement**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2017 had been presented for audit on 28 March 2018, and the report of the Auditor General on these financial statements was issued to the Chairman on 29 September 2018.

**1.2 Qualified Opinion**

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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 Elpitiya 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**

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**1.3.1 Accounting Deficiencies**

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The following deficiencies were observed.

- (a) During the year under review Fixed Deposit Interest had been under stated by Rs.30,206 and capital outlay by Rs.12,297,985 in accounts.
- (b) The amount payable for industries completed in preceding years had been understated by Rs.16,195,123 in Accounts. Therefore Expenditure of the year and creditors was understated by the same amount.
- (c) Purchasing of Capital Assets had been capitalized less by Rs.43,150.
- (d) Contribution of Rs.7,539,400 payable to Local Government Pension Fund as at 31 December of the year under review and Computer Accessories of Rs.204,640 received as Donations from Chief Secretary, Southern Province had not been brought to Account.
- (e) Local credits and Loan Instalment Payment of Rs.664,006 to Development Funds of the year under review having been debited as expenditure of the year, the excess of the year was understated by the same amount.
- (f) Revenue from Backhoe amounted Rs.88,220 received for the year under review had been brought to account as a revenue of the year under review.

### 1.3.2 Unreconciled Accounts

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Variance between balances of 08 items account totalling Rs.91,453,761 shown in financial statements and balances shown in supportive documents was observed leading to a total variance of Rs.11,821,477.

### 1.3.3 Accounts Receivable and Payable

#### (a) Accounts Receivable

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Revenue, total value of which amounted to Rs.620,949 being brought forward over a period of 03 years and Rs.12,393,273 for development projects had to be received from the Local Government Commissioner by the end of the year under review.

#### (b) Accounts Payable

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Action had not been taken even by the end of the year to settle a total sum of Rs.2,458,383 payable in respect of 10 development projects during the year under review and 12 development projects undertaken in preceding years.

### 1.3.4 Lack of Written Evidence for Audit

#### Non Presentation of Information for Audit

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It was not possible to verify 07 items of accounts totalling Rs.3,379,291 at the audit satisfactorily due to non presentation of requisite information.

### 1.3.5 Non-Compliance with Laws, Rules, Regulations and Management Decisions

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Reference to laws, rules, regulations & management decisions	Value	Non-Compliance
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	Rs.	-----

#### (a) Pradeshiya Sabha Rules (Financial & Administration) 1988

(i) Rules 180 & 182	-	No security had been obtained from Officers in Charge of Funds or Stores and Revenue Collecting Officers.
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	(ii)	Rule 193	-	Statement giving reasons for excesses and shortages against Budget had neither been prepared nor submitted for audit as at 31 December.
	(iii)	Rule 217	-	Register on lands and buildings had not been maintained as per P.S.46 form.
	(iv)	Rule 218	-	Lands and buildings owned by the Sabha had neither been board of surveyed nor reported even once a year..
<b>(b)</b>		Sections 5.1 & 5.2, Chapter xii of the Establishment Code of the Democratic Socialist Republic of Sri Lanka	-	15 Officers of the Head Office had obtained No-pay leave of 466 days.
<b>(c)</b>		<b>Financial Regulations of the Democratic Socialist of Sri Lanka</b>		
	(i)	FR 570	743,791	No action had been taken on various deposits being brought forward over a period of 03 years.
	(ii)	FR 1646	2,001,982	Daily running charts and monthly summaries in respect of 26 vehicles during 2017 had not been submitted for audit.
	(iii)	FR 1647	-	Log Note Books maintained in respect of vehicles of the Sabha had not been updated.

(d) **Other Circulars**

- (i) Section 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016 - Fuel burning had not been tested in respect of 16 vehicles owned by the Sabha.

**2. Financial Review**

**2.1 Financial Results**

According to financial statements presented for auditing the excess of recurrent revenue over revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.14,664,055 as against the excess of the recurrent expenditure over revenue for the preceding year amounted to Rs.14,080,170.

**2.2 Revenue Administration**

**2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in Arrears**

Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears presented in respect of the year under review and the preceding year are as follows:

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decemb.	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decemb.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates & Taxes	3,653,000	3,653,000	3,861,509	11,664,450	3,553,000	3,553,000	4,116,121	10,287,262
(ii) Lease Rent	4,710,000	4,710,000	3,764,392	3,197,920	4,235,000	4,235,000	3,849,332	2,252,312
(iii) Licence fee	1,051,000	1,051,000	1,108,879	22,560	1,051,000	1,051,000	1,113,395	30,720
(iv) Other Revenue	5,537,000	5,537,000	9,742,120	1,515,806	4,920,200	4,920,200	3,795,277	1,081,866
	14,951,000	14,951,000	18,476,900	16,400,736	13,759,200	13,759,200	12,874,125	13,652,160

### **2.2.2 Rates and Taxes**

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Of the rates and taxes of Rs.13,940,262 recoverable for the year under review only Rs.3,861,509 had been recovered. Accordingly the balance of rates and taxes in arrears at the end of the year was Rs.11,664,450. However action had not been taken in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987 to recover dues in arrears.

### **2.2.3 Lease Rent**

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Balance of stall lease rent in arrears at the beginning of the year under review was Rs.2,252,312 which had been increased upto Rs.3,197,920 at the end of the year while the recovery during the year stood at Rs.3,764,392 which being equivalent to 54 percent of the total receivable.

### **2.2.4 Court Fines and Stamp Fees**

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Court fines and stamp fees recoverable as at 31 December 2017 from the Chief Secretary and other authorities of the Provincial Council were Rs.4,935,400 and Rs.9,765,579 respectively.

## **3. Operating Review**

### **3.1 Performance**

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Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under section 3 of the Pradeshiya Sabha Act are as follows:

#### **(a) Action Plan**

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No annual action plan had been prepared in respect of activities to be performed by the Pradeshiya Sabha in terms of by-laws enacted.

#### **(b) Delays in Performing Activities**

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13 projects to the value of Rs.1,611,000 including 07 projects for which funds received during 2016 had not been implemented even by August 2018.

#### **(c) Solid Waste Management**

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The following observations were made.

- (i) Construction of a building complex commenced in 2008 to undertake waste management in a 02 acre block of the land called "Igalkanda" with the assistance of "Pilisaru" project of the Central Environmental Authority for which Rs.2,058,123 had been spent on it by 05 March 2018. Although 10 years had

been passed constructions had neither been completed nor made arrangements to commence waste management.

- (ii) Approximately 05 tons of waste are collected daily within the area of authority and they had been indiscriminately dumped in and around the building without any sorting out. A bad smell was emitted from the spot which was teemed with flies and mosquitoes. It is observed that serious health hazards would be arisen in the near future.

**(d) Sustainable Development Targets**  
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Although it had been mentioned that Sustainable Development Goals/Targets in the Ajenda for 2030 had been identified, the Sabha had failed to take any action in this regard even by May 2018.

**3.2 Management Inefficiencies**  
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The following inefficiencies were observed.

- (a) Action had not been taken even by 05 March 2018 to lease out one storey building consisting of 12 stall rooms and two storeyed building consisting of 18 stalls constructed adjacent to the Public Market in 1998 by obtaining lump sum money from individuals in the area of authority. Certain individuals who had given lumpsum money had occupied stalls without signing agreements with the Sabha and no action had been taken to legalized the leasing out of stalls.
- (b) A sum of Rs.96,118 recoverable as no-pay leave dues from a Health Labourer who vacated the post from 05 November 2016 had not been recovered.
- (c) 633 books of Rs.101,183 which were issued from lending section of the libraries in 2003 being maintained by the Sabha had not been returned even by the end of the year under review.
- (d) The Sabha had neither maintained a street lamp registr nor get on approval for new street lamps in terms of the Circular No.PE/02/01 dated 17 August 2010 of the Ministry of Power and Energy. Therefore it had not been possible to reimburse the expenditure of Rs.863,150 born by the Sabha for maintaining street lamps.

**3.3 Human Resources Management**  
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**(a) Staff Vacancies and Excesses**  
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The following vacancies/excesses were observed.

- (i) As per approved cadre plan 05 secondary posts and 10 primary posts remained vacant and no action taken to fill those vacancies.

- (ii) Rs.2,233,475 had been paid during the year under review to 07 employees recruited in contrary to the Management Services Circular No.28 dated 10 April 2006.

**(b) Staff Loan**  
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Action had not been taken to recover the loan balance of Rs.981,406 recoverable from 11 employees retired and got transferred.

**3.4 Operating Inefficiencies**  
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Existing Lease Agreements for 56 stalls and 30 Pavement huts were older than 20 years. However no action had been taken to renew those Lease Agreements in terms of the Circular No. දළභා/භ්‍යාකෘ/2010/01 dated 27 December 2010 of Local Government Commissioner. Further stall rent in arrears amounting to Rs.3,197,920 from 2013 to end of the year under review had not been recovered.

**3.5 Assets Management**  
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**3.5.1 Assets Not Taken Over**  
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Action had not been taken to transfer the ownership of Stone Crushing Roller, Cab and Defender used by the Sabha.

**3.5.2 Idle and Under Utilized Assets**  
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The following observations were made.

- (a) A tractor, jeep and hand tractor had been parked in the Sabha premises unsafely without repairing.
- (b) The tractor received in 2015 from the Ministry of Local Government and Provincial Councils had not been used for any running purpose..
- (c) A double cab and a trailer water Bowser had been removed from use and no action taken to in terms of the Treasury Circular No.02/2015 dated 10 July 2015 with regard to repairing of damaged vehicles in a useful manner or to dispose them of.

#### 4. **Accountability and Good Governance**

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##### 4.1 **Budgetary Control**

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A considerable variance as given below between budgeted and actual revenue/expenditure for the year under review had been observed and therefore it was observed that the Budget had not been used as an effective financial management mechanism.

- (a) Savings of Rs.23,456,978 relating to 09 items of expenditure were shown, the value of which ranged from 02 percent to 66 percent.
- (b) Although provision of Rs.1,601,000 had been made from Budget for repayment of loans, expenditure had not been made.

##### 4.2 **Internal Auditing**

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Although two Auditors had been appointed on two occasions during the year under review, no sufficient internal auditing had been performed.

##### 4.3 **Implementation of Audit and management Committees**

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Action had not been taken even at the end of the year under review to establish Audit and Management Committees in terms of the provisions of the Audit Management Committee Circular No.DMA/2009(i) dated 09 July 2009.

#### 5. **System and Control**

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Shortcomings observed at auditing were brought to the notice of the Sabha from time to time and special attention shall be paid to the following fields of control.

<b><u>System</u></b>	<b><u>Defect</u></b>
(a) Accounting and Documents Maintenance	(i) Non taking action to identify variance between financial statements and related schedules or to correct the same.
	(ii) A register on losses/damages had not been maintained.
(b) Fixed Assets	(i) Not maintained a Fixed Asset Register..
	(ii) Board of surveys had not been conducted on lands and buildings.

- (iii) Not maintained a information list on public places of the Sabha
- (c) Staff Management      Action had not been taken to fill vacancies or to regularise excess employees.
- (d) Revenue Collection      (i) Non availability of a formal arrangement to recover revenue in arrears.
- (ii) Waste tax had not been recovered
- (e) Vehicle Control      (i) Not transferred the owership of vehicles
- (ii) Not conducted a fuel testings on vehicles
  - (iii) Non disposal of vehicles
- (f) Budgetary Control      Budget had not been amended concentrating on budget estimates and actual values.