

Elahera Pradeshiya Sabha
Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements.

Financial Statements for the year 2017 had been submitted to audit on 03 May 2018 while the Auditor General's report was sent to the Chairman of the sabha on 19 September 2018.

1.2 Qualified Opinion

In my Opinion, except for the effects of the matters described in paragraph 1.3 of the report, the financial statements give a true and fair view of the financial position of the Elahara Pradehiya 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 Policies

The following observations are made.

- (a) The various deposits in financial statement had been under stated by Rs.65, 000 in the year under review.
- (b) Two water motors purchased for Madudamana and Kooduruwawa water projects valued to Rs.160,000 and 100,000 had been accounted under the stock in hand instead of fixed assets.
- (c) The loan installment of Rs.87,078 and interest payable to domestic loan development fund for the month of December in the year under review had been omitted in the financial statements.
- (d) The equipment valued of Rs.282, 450 and furniture valued to Rs.75, 800 received from Puranaguma project had not been entered in the financial statements.
- (e) The sports item purchased by the sabha and received under Puranaguma Project for Bakamuna Child Park valued the Rs.2, 232,400 and Rs.3, 791,000 respectively had not been capitalized.
- (f) The value Rs.15, 010,104 spent for 06 constructions had not been capitalized.
- (g) The value of 08 stalls and Rs. 154,222 spent for roller doors had not been capitalized.
- (h) Payable value of Rs.217, 661 relevant to 04 accounting item had not been accounted as accrued expenses.

1.3.2 Contingent Liabilities

Private company had been filled a court case against to sabha at the date of 10 August 2017 for the failure to payment of Rs.2, 250,523 for the construction the roof of Bakamuna fair under the dayatakirula project in 2012. But the sabha had not identified and accounted this contingent liability in financial statements.

1.3.3 Unreconciled Control Accounts

The following observations are made.

- (a) There had been difference of Rs.874, 855 between the values presented in the financial statements and annexes in financial statements relevant to four accounting subjects.
- (b) There had been a difference of Rs.5, 841,595 between the values presented in the financial statements and ledger accounts for four accounting subject.
- (c) There had been a difference of Rs.5, 246,208 between the values presented in the financial statements and notes to accounts for three accounting subjects
- (d) There had been a difference of Rs.112,672 between the fixed asset value and contribution from revenue to capital outlay account.

1.3.4 Accounts Receivable and Payable

No action had been taken to identify and clear the pre received income valued to Rs.770, 026 presented in financial statement for the 10 years.

1.3.5 Lack of Evidence for Audit

The value of Rs.356, 088,543 in respect of 09 accounting subjects in financial statement could not be satisfactorily vouchered in audit due to non-submission of relevant evidence.

1.3.6 Non- Compliances with Laws, Rules, Regulations and Management Decisions.

Following non compliance with laws, rules, regulations and management decisions are observed in audit.

Non Compliance with Laws, Rules Regulations and management decisions -----	values ----- Rs.	Non Compliance -----
(a) Section 134 (i) Pradeshiya Sabha Act No.15 of 1987		It should accurately identify developed areas time to time such identification had not been done by Sabha.
(b) National Environmental Act No.47 of 1980		It had been issued sales licenses for 30 inductions who have not taken environment protection license in the year under review.
(c) The Financial Regulation of the Democratic Socialist Republic of Sri Lanka (i) F.R.371 (2) (C)	70,000	It had been 01 to 08 years delayed to settlement of advanced taken in 06 times.

(ii)	F.R. 751	481,873	The value of Electric item and consumer item purchased for head office in the year under review had not been recorded in inventory books.
(ii)	F.R. 751(i)		Store Keeper's books and documents had not been inspected and approved by responsible officer.
(ii)	F.R. 756,757 and 1647 (a)		Annual investigation had not been done for 18 vehicles for the numbers of years.
(d)	The procurement guidelines 2006 of the Democratic Socialist Republic of Sri Lanka		
(i)	Guild lines 2.11.2		Procurement committee member's attendance register had not been maintained by sabha.
(ii)	Guild lines 2.11.3		The regular and updated register for committee meeting minutes and decisions had not been maintained by sabha.
(e)	Circulars and letters		
(i)	Public Administration circular No.41/90 and dated October 1990	515,050	Without obtaining suitable mechanical Engineers report sabha had been spent that money for repair of sabha vehicle.
(ii)	Treasury Circular No.IAI/2002/02 and dated 28 November 2002		The fixed assets register had not been maintained for computer, computer accessories and software.
(iii)	Letters No. NCP/LG/AC/04/02 and dated December 2015 to the Commissioner of Local Government	304,000	The official vehicle allocated for chairman had been allowed to use for the secretary subject to a maximum fuel Limit of 150 liters per month from December 2015. Secretary had used 3200 liters of fuel exceeding above limit for the year under review.

2. Financial Review

2.1 Financial Result

According to the financial statement presented, excess of revenue over the recurrent expenditure for the year ended 31 December 2017 amounted to Rs.8, 792,441 as compared with the expenditure over the recurrent revenue for the preceding year amounted to Rs.638, 061.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, Collected Income and Deficit Income

Following are the details of estimated income, billed income and collected income and deficit income for the year under review and previous year.

Source of income	2017				2016		
	Estimated Income	Billed Income	Collected Income	Deficit As at 31 December	Estimated Income	Billed Income	Collected Income
(i) Rate and Tax	1,004,277	576,184	428,293	997,306	1,036,577	753,625	610,657
(ii) Rent	467,700	1,272,000	671,700	790,835	467,700	496,037	527,700
(iii) License fees	340,000	288,275	288,275	-	175,000	316,310	316,310
(iv) Other Income	13,619,800	14,348,040	14,348,039	-	8,638,350	9,161,473	9,161,473
Total	15,431,777	16,484,499	15,736,307	1,788,141	10,317,627	10,727,445	10,616,210

2.2.2 Performance of Income Collection.

Last year end value of tax arrears Rs.849, 415 and rent income arrears Rs.190, 353 had been respectively increased by 16 and 315 percentages at the year under review.

2.2.3 Rent

Following observations are made.

- Sabha had not taken any action against to tenants who had earned Rs.111, 500 for a month by re renting 06 stalls belong to sabha.
- The shop rents relevant to 13 stalls in Attanakadawala had not been received in the year under review.
- It had not been taken any action to collection arrears shop rent of Rs.469,775 as at 25 July 2018.
- Sabha had not taken any action to pass by laws and collect charges from 15 doctors, 10 lawyers, and several finance companies that are doing their business and professional activities in sabha area.

2.2.4 Other Income

Following observations are made

- Even though several businesses/institutions has exhibited large number of advertisement boards in sabha area, rent is being collecting only few number of advertisement boards. No action had been taken to collecting charges by doing annual Survey.

- (b) Even though 32 environment license applications had been received at the end of the year under review, it had not identified and given license to suitable institutions.
- (c) According to the section 149 of Pradeshiya Sabha Act No.15 of 1987, Sabha had not been collected 1 percent charges on annual income of private residence places started in several years ago which registers in Sri Lanka tourism board.
- (d) Even though JCB machine of the Sabha had been in rented 66.4 meter hours during 11 days in the year under review, relevant income of Rs. 232,400 had not been collected up to the date of 08 June 2018.

2.2.5 Court Fines and Stamp Duties

The value of Court fines and Stamp duties receivable from chief secretary and other authority officers amounted to Rs.4, 250,830 and Rs.655, 803 respectively as at December 2017.

3. Operational Review

3.1 Performance

According to the section 03 of the Pradeshiya Sabha Act No:15 of 1987 Sabha should be concerned to formalize and control public health, common utility services, common road system, common wealth of the people, convenience, and welfare of the people.

(a) By Laws

According to the section 126 of Pradeshiya Sabha Act Sabha had not been identified by laws for main duties and identified only 04 by laws.

(b) Unimplemented activities

Two road projects under the rural area 1000km road development project amounting to Rs.1, 260,447 had not been operated in the year under review.

(c) Action plan

Sabha had not prepared action plan and they had not passed by laws to achieving their duties.

(d) Solid Waste Management

Following observations are made

- (i) Sabha had not prepared regular process to solid waste management and all garbage collecting in Sabha area had been released to the forest reserves which situated on Bakamoona Dambulla road.

- (ii) Plastic bottles and plastic debris collected by sabha several years ago had been storing in bags in sabha complex. Action had been taken to recycle or remove those.
- (ii) Garbage dumps which are collecting in Diyabeduma and Attanakadawala area had been released to the Minneriya National Park without any classification and this could be a threat to wild lives and elephants who consume those garbage.

(e) Sustainable Development Goals

Sabha had not any idea about sustainable development agenda “2030” and therefore it had not taken any action to identify sustainable development objectives and goals, identifying index for measuring goals, allocating funds identifying human and physical recourse in the action plan, identifying stake holders, and identifying, collecting, and storing data for measuring objectives and goals.

3.2 Management Inefficiencies

Following observations are made

- (a) No action had been taken to release the guarantee deposits and relevant interest amounted to Rs.53,383 of 11 pension and transferred officers.
- (b) No action had been taken against the ongoing block stone factory which was not suitable give environment license, according to the field officer inspections.
- (c) It had not been included 18 sport items valued to Rs.2, 113,650 purchased by sabha contribution and 09 items valued to Rs.3, 791,000 received from puranaguma project in the inventory register.

3.3 Human Resources Management

Following observations are made

- (a) According to the cadre information there had been an excess in 04 positions and vacancies in 08 positions in secondary level while excesses in 11 positions and vacancies in 04 positions in primary level.
- (b) According to the carder information 06 casual drivers had been employed without approval in addition to 03 permanent drivers.
- (c) There had been 04 secondary level development officers, 06 casual management assistant, 01 technical officers, and librarian as vacancies.
- (d) 04 road labors, 03 health labors, 02 taker had been employed without approval.

- (e) A post of assistant account officer and one technical assistant had been recruited and employed during two years but no action had been taken to approve this positions.

3.4 Operational Inefficiencies

Following observations are made

- (a) Even though 09 bidders person had been paid to Rs.1, 065,000 as rent for building shop stalls in dehiwatta land belongs to sabha, those landblocks parts had not been given to them up to date 30 April 2018.
- (b) Even though 16 Dehiwaththashop stalls had been tendered in the year 2012 amounted to Rs.13,004,000 out of that a sum of Rs.4,595,250 are in arrears and due to action had not been taken to supply of electricity to those stalls rent income had been lost during 05 years.

3.5 Assets Management

- (a) Annual board of survey
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Even though board of survey of the year under review had been conducted, relevant report was not presented up to 08 June 2018.

- (b) Idle assets
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- (i) ARs.522,500 worth of equipment set relevant to rice flour processing center of the sabha had been kept idle for 05 years.
- (ii) The dilapidated cab had been kept idle for more than 10 years.

3.6 Identified loss

Sabha had not taken any action in the year under review to recover receivable income Rs.156, 000 for renting water bowser in the year 2016 to private company

3.7 Procurement

3.7.1 Annual Procurement plan

It had not been prepared annual procurement plan for the year under review.

3.7.2 Construction of long distance bus stand and super market

No feasibility study had been done for the project as well as it had not been obtaining permission from central environment authority for quarrying black stone in proposed land.

A sum of Rs.13, 163,228 had been incurred at the end of the year under review for quarrying black stone but those every money had been idle because of Road passengers transport authority had been taken a decision to construction new bus stand at cooperative society land of Alahara by spending 50 million. Further advanced payment amount of Rs.225,000 out of Rs.595,000 had not been settled up to the end of the year ended.

4. Accountability and Good Governance

4.1 Presentation of financial statement

Financial statement for the year under review had been submitted to Auditor Generals on 03 may 2018.

4.2 Internal audit

It had not been done an internal auditing regarding the sabha activities.

4.3 Conducting of audit and management committee

According to the letter NCP/CS/01/Audit and dated 11 may 2016 an audit and management committee should be forevery 02 months, any audit and management committee had not been conducted for the year 2017.

4.4 Budgetary control

There had been a difference of 27 to 65 percentages between actual income and estimated income for 03 revenue subjects and 30 to 1107 percentage differences for 04 expenses subjects.

5. Systems and controls

Special attention is needed in respect of following systems and control.

System -----	Deficiency -----
(a) Fixed assets control	(i) Fixed asset registers had not been updated.
	(ii) Ownership of the every asset had not been acquired.
(b) Accounting	(i) Books, registers and records had not been maintained.

- (ii) Cash collection and accounting had not been updated.
- (c) Revenue administration
 - (i) Arrears income had not been collected
 - (ii) Tax agreement had not been regulated
 - (iii) Internal check had not been done.
- (d) Debtors and creditors control
 - (i) Debtors and creditors had not been settled in the year under review.
 - (ii) Time analyzes for debtors and creditors had not been prepared and presented.
- (e) Vehicle control
 - (i) According to the circular fuel consumption had not been checked for vehicles.
 - (ii) Vehicle survey had not been checked for the year under review.
 - (iii) Internal control for vehicle had not been established.