

**Elpitiya Pradeshiya Sabha  
Galle District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 30 May 2019 and 14 June 2019 respectively.

**1.2 Qualified Opinion**

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In my opinion except for the effect of matters described in the basis for qualified opinion 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

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**(a) Accounting Deficiencies**

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| <b>Audit Observation</b>  | <b>Recommendation</b>                                | <b>Comments of the<br/>Accounting Officer</b>  |
|---|--|--|
| -----   | -----  | -----  |
| (i) Value of the building constructed at a cost of Rs.1,803,186 of the previous year had not been capitalized.  | Action shall be taken to capitalize. Fixed assets.   | Action will be taken to rectify in future.   |
| (ii) Value of crematorium equipments at the year under review had not been capitalized.   | Action shall be taken to capitalize the fixed assets | Action will be taken to rectify in future.   |
| (iii) Retained sum of Rs.173,295 payable to industries completed during the year under review had not been brought to the Deposit Account.              | Deposits shall be correctly brought to accounts.     | Action will be taken to rectify in future.   |
| (iv) Contribution of Rs.7,649,482 payable to Local Government Pension Fund as at 31 December of the year under review had not been brought to accounts. | Payable money shall be brought to accounts.          | Action will be taken to rectify after receiving replies from the Department of Pension |

|     |  |   |   |
|-----|--|---|---|
| (v) | Provisions had not been made for audit fees applicable to the year under review. | Provisions shall be allocated for audit fees. | Action will be taken to make allocation for audit fees in 2019. |
|-----|--|---|---|

**(b) Unreconciled Accounts**

**Audit Observation**

**Recommendations**

**Comments of the Accounting Officer**

The balance of 06 items of accounts aggregating Rs.26,435,185 as per financial statements and the balances in the related subsidiary registers and schedules differed by a net total of Rs.1,775,086.

Difference of the relevant balances shall be reconciled and action taken to rectify accounts.

Action will be taken to rectify in future.

**(c) Accounts Receivable & Payable**

**(i) Accounts Receivable**

**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

Action had not been taken even during the year under review to recover Bacho machine income of Rs.208,280 and fair renting income of Rs.18,537 being brought forward over period of 03 years.

Income receivable should be recovered.

Continuously made aware of importance of recovery of revenue. Action will be taken to recover in future.

**(ii) Accounts Payable**

**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

Action had not been taken even by the end of the year to settle a total sum of Rs.1,514,423 payable for 08 development projects completed in previous years.

Action should be taken to settle payable money

This project is due to be implemented in future.

(d) **Lack of Documentary Evidence for Audit**

| <b>Audit Observation</b>  | <b>Recommendation</b>   | <b>Comments of the Accounting Officer</b>  |
|---|---|--|
| Fixed Assets aggregating Rs.104,766,698 and stocks aggregating Rs.488,912 could not be satisfactorily vouched in audit due to non rendering of necessary information. | Evidence to confirm account balances shown in the financial statements should be furnished. | Action will be taken to rectify in future. |

**1.4 Non Compliance**

**Non Compliance with Laws, Rules, Regulations and Management Decisions**

| <b>Reference to Laws, Rules, Regulations and Management Decisions</b> | <b>Non Compliance</b>  | <b>Recommendation</b>                                     | <b>Comments of the Accounting officer</b>  |
|---|--|---|--|
| Treasury Circular No.IAI/2002/02 dated 28 November 2002               | Fixed Assets Register had not been maintained on computers, accessories and software valued Rs.1,285,492 owned by the Sabha. | Action should be taken be terms of Circular/instructions. | Action will be taken to rectify in future. |

**2. Financial Review**

**2.1 Financial Results**

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2018 amounted to Rs.25,251,341 as compared with the excess of the recurrent expenditure over revenue of the preceding year amounted to Rs.14,664,054.

## 2.2 Financial Control

| Audit Observation   | Recommendation  | Comments of the Accounting Officer                  |
|---|---|---|
| <p>Monthly average balance of Rs.1,248,008 and Rs.3,663,036 were shown in Industry Current Account and General Current Account respectively being maintained by the Sabha. However action had not been taken by the Sabha to invest the excess, money and obtain a revenue as per section 131 of the Pradeshiya Sabha Act. No.15 of 1987.</p> | <p>Action shall be taken to deposit excess money in terms of the Act.</p> | <p>Action will be taken to recertify in future.</p> |

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Revenue Billed, Revenue collected and the Arrears of Revenue.

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

| Source of Revenue | Estimated Revenue | 2018           |                   | Total in arrears as at 31 Decemb. | Estimated Revenue | 2017           |                   | Total in arrears as at 31 Decemb. |
|-------------------|-------------------|----------------|-------------------|-----------------------------------|-------------------|----------------|-------------------|-----------------------------------|
|                   |                   | Billed Revenue | Collected Revenue |                                   |                   | Billed Revenue | Collected Revenue |                                   |
|                   | Rs.               | Rs.            | Rs.               | Rs.                               | Rs.               | Rs.            | Rs.               | Rs.                               |
| Rates & Taxes     | 3,077,000         | 3,193,888      | 1,648,687         | 13,560,759                        | 3,153,000         | 3,114,307      | 2,065,298         | 11,664,450                        |
| Lease Rent        | 2,060,000         | 2,059,200      | 2,408,550         | 2,958,117                         | 2,060,000         | 2,059,200      | 1,267,448         | 3,164,902                         |
| Licence fee       | 900,000           | 977,459        | 906,965           | 93,054                            | 900,000           | 983,270        | 991,430           | 22,560                            |
| Other Revenue     | 12,500,000        | 24,237,553     | 17,500,000        | 21,442,450                        | 12,500,000        | 12,500,000     | 8,469,773         | 14,703,978                        |
|                   | 18,537,000        | 30,468,100     | 22,464,202        | 38,054,380                        | 18,613,000        | 18,656,777     | 12,793,949        | 29,555,890                        |

### 2.3.2 Performance in Collection of Revenue

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| <b>Audit Observation</b>   | <b>Recommendation</b>  | <b>Comments of the Accounting Officer</b>           |
|--|--|---|
| -----<br>Although the total revenue that should have been collected during the year under review amounted to Rs.60,023,990, the revenue collected amounted to Rs.22,464,202. Accordingly the balance in arrears at the end of the year amounted to Rs.38,054,380 | -----<br>Action should be taken to recover revenue in arrears. | -----<br>Action will be taken to rectify in future. |

### 2.3.3 Rates and Taxes

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| <b>Audit Observation</b>   | <b>Recommendation</b>  | <b>Comments of the Accounting Officer</b>                             |
|--|--|---|
| -----<br>Although the total revenue that should have been collected during the year under review amounted to Rs.14,858,388, the revenue of the year amounted to Rs.1,648,687. Accordingly the balance in arrears at the end of the year amounted to Rs.13,560,759. | -----<br>Action should be taken to collect rates and taxes in arrears. | -----<br>Action will be taken to minimize rates and taxes in arrears. |

### 2.3.4 Rent

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| <b>Audit Observation</b>  | <b>Recommendation</b>  | <b>Comments of the Accounting Officer</b>           |
|---|--|---|
| -----<br>Although the recoverable of the year under review amounted to Rs.5,224,102, the recovered rent amounted to Rs.2,408,550 leading to a balance in arrears amounting to Rs.2,958,117. | -----<br>Action should be taken to recover revenue in arrears. | -----<br>Action will be taken to rectify in future. |

### 2.3.5 Court Fines and Stamp Fees

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| <b>Audit Observation</b>   | <b>Recommendation</b>                                 | <b>Comments of the Accounting Officer</b>  |
|--|---|--|
| Stamp fee of Rs.17,998,134 and court fines of Rs.3,444,316 were recoverable as at 31 December of the year under review from the Chief Secretary and other Authorities of the Provincial Council. | Action should be taken to recover revenue in arrears. | Action will be taken to rectify in future. |

### 3. Operating Review

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#### 3.1 Performance

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The following matters were revealed with regard to duties and functions to be fulfilled by the Sabha under Section of the Pradeshiya Sabha Act such as regulation of control of matter relating to public health, common amenities and public highways, healthy environment of the public facilities and welfare etc.

#### (a) Action Plan

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| <b>Audit Observation</b>  | <b>Recommendation</b>                               | <b>Comments of the Accounting Officer</b>  |
|---|---|--|
| Annual Action Plan had not been prepared in respect of duties and functions to be performed by the Sabha in terms of the by-laws enacted. | Action Plan should be prepared in terms of by-laws. | Action will be taken to rectify in future. |

#### (b) Sustainable Development Targets

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| <b>Audit Observation</b>   | <b>Recommendation</b>                              | <b>Comments of the Accounting Officer</b>                                 |
|--|--|---|
| The Sabha had not prepared long-term plans for the public in the Sabha area through Global | Long-term plans for sustainable development should | A plan will be formulated in future to enhance the living standard of the |

Indicators for sustainable development objectives and targets of the Agenda 2030 for Sustainable Development.

be prepared to enhance the living standard of the people.

people in authorized area.

### 3.2 Management Inefficiencies

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#### Audit Observation

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Action had not been taken in term of F.R.103 with regard to the value of Rs.101,007 in respect of 1097 book lost in 07 libraries.

#### Recommendation

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Action shall be taken on library book lost in terms of Financial Regulations.

#### Comments of the Accounting Officer

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Action will be taken to rectory in future.

### 3.3 Human Resources Management

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#### Audit Observation

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Action had not been taken to fill 20 vacancies in the approved post of the cadre plan at 31 December 2018 and to regularize the excess positions.

#### Recommendation

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Action should be taken to fill vacancies and to regularize excess posts.

#### Comments of the Accounting Officer

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Action will be taken to rectory in future.

### 3.4 Assets Management

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#### 3.4.1 Non Registering of Assets

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#### Audit Observation

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Action had neither been taken to identify and register correctly 57 land and buildings owned by the Sabha nor to identify accessed value of those properties.

#### Recommendation

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Action should be taken to correctly identify lands, buildings and property and assess their values.

#### Comments of the Accounting Officer

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Property Survey 2019 is now in progress.

### 3.4.2 Annual Stock Verification

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| <b>Audit Observation</b>   | <b>Recommendation</b>  | <b>Comments of the Accounting Officer</b>           |
|--|--|---|
| -----<br>Goods in Elpitiya children's park had not been registered and in the absence of an officer in charge of those goods, their safety and maintenance had been inactive. Therefore even the electric system installed for the park remained unsafe. | -----<br>Safety and maintenance of the property of the Sabha should be formalized. | -----<br>Action will be taken to rectify in future. |

### 3.4.3 Utilization of Vehicles

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| <b>Audit Observation</b>   | <b>Recommendation</b>   | <b>Comments of the Accounting Officer</b>           |
|--|---|---|
| -----<br>Action had not been taken to dispose of 03 vehicles not in running condition. | -----<br>Action should be taken to dispose of vehicle in terms of relevant circulars. | -----<br>Action will be taken to rectify in future. |

## 4. Accountability and Good Governance

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### 4.1 Budgetary Control

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| <b>Audit Observation</b>  | <b>Recommendation</b>                         | <b>Comments of the Accounting Officer</b>                          |
|---|---|--|
| -----<br>(a) Savings of Rs.22,677,373 applicable to 08 items of expenditure were available, value of which ranged between 21 percent to 75 percent. | -----<br>Actual Estimates should be prepared. | -----<br>Attention will be paid in this regard in the coming year. |
| (b) Aggregate of adverse vacancies in respect of 02 Items of Revenue amounted to Rs.18,380,003, value of which ranged between 25% to 55%.           | -----<br>Actual Estimates shall be prepared   | -----<br>Attention will be paid in this regard in the coming year. |



## 4.2 Internal Auditing

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| <b>Audit Observation</b>   | <b>Recommendation</b>   | <b>Comments of the Accounting Officer</b>         |
|--|---|---|
| -----  | -----   | -----   |
| <p>At the preparation of Internal Audit Programme, Auditor General had not been consulted as per FR 133 and FR 134 of the Financial Regulations of the Republic of Sri Lanka and the Circular No දපපා/යහ/01/නා.ව.මළ. dated 24 February 2014 of the Local Government Commissioner (Southern Province) nor sufficient internal auditing carried out nor submitted a copy of Audit Report for auditing.</p> | <p>Action should be taken in terms of Financial Regulations and relevant Circulars.</p> | <p>Action will be taken to rectify in future.</p> |