

**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 09 April 2015 while Financial Statements relating to the preceding year had been submitted on 28 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary to the Sabha on 11 August 2015.

**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 2014 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 Accounting Deficiencies**

Following observations are made.

- (a.) Although payments of Rs. 1,611,500 had been made for construction of 06 bridges completed during the year under review, it had been shown as an amount payable under Creditors in the financial statements, overstating the Creditors in the financial statements.
  
- (b.) Although payment sum of Rs.2,511,500 had been received for construction of 08 rural bridges during the year under review, it had been shown as an amount receivable in the financial statements, overstating the Debtors in a sum of Rs.2,511,500.

- (c.) The value of Stock of Electricity Goods amounting to Rs.170,378 had been added to the General Stores Balance and shown in the financial statements without being recorded as Electrical Stores
- (d.) Although the receipt of Other Grants during the year under review had been shown as Rs.64,972 in the Ledger, it had been shown as Rs. 632,720 in the Revenue and Expenditure Account.

### **1.3.2 Non-reconciled Control Accounts**

A difference of Rs.797,285 was observed between the total of balances according to control accounts relevant to 04 items of accounts and the balances according to subsidiary registers.

### **1.3.3 Lack of Evidence for Audit**

Evidences such as Title Deeds, up dated Register of Fixed Assets, Board of Survey Reports, Age Analysis, up dated Fixed Assets Register, Board of Survey Reports, Age Analysis and duly balanced Deposits Register connected with transactions totalling Rs.78,884,880 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 Sabha 1 for the year ended 31 December 2014 amounted to Rs.8,257,216 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.6,006,487.

## **2.2 Revenue Administration**

### **2.2.1 Rates**

Action in terms of Section 158 (1) (a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken during the year under review too, to recover the Rates amounting to Rs. 7,302,719 which should have been recovered to the Sabha during the year under review and past years.

### **2.2.2 Acreage Tax**

Action in terms of Sections 158(1) (a) of the Pradeshiya Sabha Act No.15 of 1987 had not been taken during the year under review too, to recover Acreage Tax amounting to Rs.346,569 which should have been recovered to the Sabha during the year under review and past years.

### **2.2.3 Lease Rent**

Action in terms of Sections 159(1) of the Pradeshiya Sabha Act No.15 of 1987 had not been taken to recover Lease Rent amounting to Rs.407,846 which should have been recovered to the Sabha during the year under review and past years.

### **2.2.4 Court Fines and Stamp fees**

Courts Fines amounting to Rs. 743,917 and Stamp Fees amounting to Rs. 2,816,545 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014.

### **2.2.5 Hire charges for the J.C.B. Machine**

A sum of Rs. 86,720 was due to be received to the Sabha from the Members of the Sabha and individuals in the area of authority of the Sabha as Hire charges for the J.C.B. Machine belongs to the Sabha.

### **3. Operational Review**

#### **3.1 Un-authorized Transactions**

##### **Foreign Study Tours**

A sum of Rs. 777,500 had been paid out of the Sabha Fund for 04 foreign study tours which is a function not falling under functions referred to in Section 132 of the Pradeshiya Sabha Act No.15 of 1987, which provides legal provisions with regard to application of the Pradeshiya Sabha Fund. Similarly, proper approval too had not been obtained for going abroad.

#### **3.2 Management Inefficiencies**

##### **Failure in making Declaration of Assets and Liabilities**

It was observed at the audit inspection carried out on 04 March 2015 that Declarations of Assets and Liabilities had not been submitted by the Chairman, Vice Chairman and 04 Members of the Sabha for the year 2013 as required by the Declarations of Assets and Liabilities Act No. 01 of 1975 as amended by Act No. 74 of 1988. Similarly, Declarations of Assets and Liabilities had not been furnished the Chairman, Vice Chairman and all Members of the Sabha for the year 2014 as well.

#### **3.3 Idle Assets**

It had been informed to prepare a scheme within ensuing 3 months, for disposal of old vehicles and machinery getting destroyed without being used in Government Institutions vide Circular No. PCMD/PR/2013 dated 05 June 2013 issued by the Secretary to the President. However, It was observed at the audit inspection carried out on 04 March 2015, that 02 Tractors of which purchase value / transfer value amounted to Rs. 645,000, a Water Bowser valued at Rs. 18,000 and 02 Vehicles value of which could not be assessed , had been kept getting corroded in the Sabha ground.

### **3.4 Identified Losses**

The Ministry of Local Government and Provincial Councils had provided 576 Galvanized Pipes 1“to the Sabha on 24 November 2014. While 232 pipes out of those pipes, had been given to the Benthota Pradeshiya Sabha, 190 pipes had been received back after the date of audit. Similarly, it was observed that there were 225 pipes in the Sabha at the physical inspection carried out on 01 April 2015. Accordingly, there was a shortage of 161 pipes while value of the shortage of pipes was Rs. 178,227.

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

#### **Budgetary Control**

It was observed that there were variations of revenue between the budget estimates and the actual and there were savings in certain items of expenditure. Accordingly, it was observed that the budget had not been made use of as an effective tool of management.

### **5. Systems and Controls**

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

- (i.) Accounting
- (ii.) Budgetary Control
- (iii.) Revenue Administration
- (iv.) Assets Management