

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 12 May 2017 while the Financial Statements of the previous year had been submitted to audit on the 11 of April 2016. the Auditor General's report was sent to the Secretary of the sabha on 30 June 2017.

1.2 Qualified Opinion

In my Opinion, except for the effect of the matters described in paragraph 1.3 of the report, Financial Statements give a true and fair view of the Financial position of the Elahera Pradeshiya sabha as at 31 December 2016, Its Financial performance and cash flows for the year then ended in accordance with Generally accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

The warehouse advance accounting system had not been followed in relation to storage.

1.3.2 Accounting Deficiencies

The following observations are made.

- (a) The amount of Rs.1, 599,647 paid during the year 2017, in respect of the year under review had not been accounted as the creditors in the year under review.
- (b) Since a revenue of Rs.81, 000 collected by field officers in relation to previous year had been shown as various deposits, the amount of current liabilities overstated and equity had been understated by that amount.
- (c) The fixed assets amounting to Rs.51, 367 purchased for front office had been accounted under recurrent expenditure.

1.3.3 Unreconciled ControllAccounts

The following observations are made.

- (a) There had been a difference of Rs.603, 693 between the presented financial statements and Subsidiary records presented With financial statements for three accounting subjects in the year under review.

- (b) There had been a deference of Rs.313, 013 between the value presented in financial statements and the value of relevant registers for two accounting subjects.

1.3.4 Suspense Account

The action had not been taken to identify the balance of the Suspense account of Rs.224, 961 which was revealed in the financial statements.

1.3.5 Accounts Receivable and Payable

- (a) Outof Rs.849, 414 of receivable Rates as at 31 December 2016, a sum of Rs.281, 262 had been in arrears more than 10 years and adequate actions had not been taken to recover the same.
- (b) Out of Rs.89,476,881 industrial creditor as at 31 December 2016, a sum of Rs.2,118,590 had been arrears for the 2 to 5 years and no action had been taken to paid them.

1.3.6 Lack of Evidence for Audit

The value of Rs.346, 681,064 in respect of 10 accounting subjects in the financial statements could not be vouched satisfactorily as it had not been provided evidence such as ownership documents, annual board of survey reports and the detailed schedules.

1.3.7 Non Compliance with Laws, Rules and Regulations

Following non compliances with laws, rules, regulations etc. are observed in audit

Reference to Laws, rules and regulations	Non Compliance
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(a) Subsection 132 (A) (O) of the PradeshiyaSabha Act No. 15 of 1987	A sum of Rs. 102,500 had been spent for the entertainment expenditure, student workshops and distribution of educational equipment's without the prior approval of the relevant Minister.
(b) 1988 PradeshiyaSabha (Financial and administrative) rules	

(i) Rules 112	Rs.3, 720,804 had been paid by 07 payment vouchers without completing the requirements of the rule.
(ii) Rules 113	Retention of Rs.1,008,564 had been paid without fulfilling the requirements of the above rule.
(iii) Rules 115	A sum of Rs.276, 651 worth of goods purchased by 11 voucher payments had been paid without inventory certificates.

- (iv) Rules 204 No action had been taken regarding the shortage of 45 items relevant to 10 categories of goods identified in the board of survey during the year 2015.
- (v) Rules 214 The annual board of survey had not been conducted until 17 May 2017.
- (vi) Rules 218 Although survey board should be inspect all lands and buildings annually, such a survey had not been carried out for any year by sabha.
- (c) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

- (i) F.R. 104(1),(3),(4) Although the cab belonging to the Pradeshiya sabha had a loss of Rs.526, 479 with a collision on 17 June 2016, no action had been taken according to F.R. with this accident.
- (ii) 104(2) The Auditor General had not been reported any loss of Rs.1, 222,618 pertaining to two vehicles in the year under review.
- (iii) F.R. 156(1) No actions had been taken regarding the fines for delay payment of Rs.12,500 to obtain revenue licenses for a council cab and Rs.2, 945 to the ETF.
- (iv) F.R. 1647(C) The goods worth Rs.128,315 had not been documented for vehicle repairs.
- (d) Circulars and Letters**

- (i) Section 9.3 (b) of the Procurement Guidelines 2006 No prior approval had been obtained for Rs.1,283,279 vehicle repair expenses
- (ii) Letter of the Commissioner of Local Government NCP/LG/AC/04/02 and dated 04 December 2015 The official vehicle allocated for the Chairman has been allowed to use for the Secretaries subject to a maximum fuel limit of 150 Liters per month from December 2015. Secretary had used 2820 liters of fuel amounting to Rs. 267.900 exceeding above limit from January 2016 to March 2017.

2. Financial Review

2.1 Financial Result

According to the submitted financial statements Presented, excess of the expenditure over the recurrent revenue for the year ended 31 December 2016 amounted to Rs.638,061 as against the excess of revenue over the recurrent expenditure for the preceding year amounted to Rs.1,178,968.

2.2 Revenue Administration

2.2.1 Estimated income, actual income and deficit income

Following are the details of the estimated income, actual income and deficit of income submitted by the Secretary in respect of the year under review.

Source of income	Estimated income	Actual income	Accumulated deficit as at 31 December 2016
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	Rs.	Rs.	Rs.
Assessment and tax	345,751	218,176	849,415
Shop rent	496,162	530,494	190,535
Other income	12,577,190	11,487,194	7,228,890

2.2.2 Rates

- While the Rates arrears as at 31 December 2016 amounting to Rs.849, 415, the balance of deficit increase 54.5% for the period from 2013 to 2015.
- Although At the end of the year under review the balance of Rs.393,403 had been outstanding due to non-payment of the Rates more than 05 to 20 years by 171 persons, No action had been taken to recover those arrears in terms of section 158 of the Pradeshiya Sabha Act.

2.2.3 Shop Rent

While stall rent was in arrears due from 38 stalls belonging to the pradeshiya sabha amounting to Rs.190,535 as at 31 December 2016, out of that a sum of Rs.149,760 relevant to 14 stalls remained unrecovered during a period 6 to 30 months. Any course of action had not been taken to recover those provisions in terms of agreement.

2.2.4 Water Charges

Water charges was in arrears due from 03 water schemes belonging to sabha amounting to Rs.347, 137 as at 31 December 2016.

2.2.5 Court Fine

While the recoverable court fine which had been collected and sent to chief secretary by hingurakgoda magistrate courts under various ordinance, amounted to Rs.5,617,851 as at 31 December 2016. The balance of arrears during the period 2013 to 2016 had been grown in 107 percentage.

2.2.6 Stamp Duty

Any course of action had not been taken by sabha to recover stamp duty amounting to Rs.1, 263,902 due from NorthCentral Provincial Council collected by register general as at 31 December 2016.

2.3 Idle and under-utilized Assets

- (a) A 522,500 worth of equipment set relevant to Rice flour processing center of sabha had been kept idle for more than 5 years.
- (b) Carpentry machine which had been purchased at Rs. 69,500 had been kept idle and unsafely for more than 6 years.
- (c) The tractor bearing No.NCRD- 3371 had been kept in idle for two years.
- (d) The dilapidated cab of 53-5057 has been in idle for more than 10 years without repairs.
- (e) A water purifier worth Rs.1,490,000 which had been given under the DiviNeguma Development Program in the year 2015, for the use of madudamana Water Supply Scheme had been idle.
- (f) In 2012, it had been spent Rs.925,453 to fix a new tank and retract water line at the Sudarshi Buddhist Center, but it had been in idle up to now.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made

- (a) Although Rs. 526,479 had been spent on repairs of vehicle due to an accident, out of that only Rs.428, 523 reimbursed from the Insurance. Any action had not been taken to recover the balance amount of Rs.97,956 from responsible officer.
- (b) No compliance certificates had been issued for 14 designs approved in 2016 and any plan approved in the previous year.
- (c) A person had been assigned without a formal tender procedure to maintain Nenasala centers located at Diyabeduma and Bakamuna Public Libraries.
- (d) Rs. 10,448,073 had been incurred in the year under review and Rs. 24,141,706 had been estimated for the quarrying and removing a black rock in the land selected for construct the long distance bus service bus stand located in front of mahaweli play ground without feasibility study. As well it had not been obtained any permission from the central environmental authority for quarrying and removing the black rock. And open quotation had been not been obtained for quarrying and removing rock.
- (e) The assets amounting to Rs.56, 595 had been withdrawn from accounts without any disposal in the year under review.

3.2 Operational Inefficiencies

The following observations are made

- (a) Action had not been taken to acquire ownership of nine vehicles used by the sabha for many years.
- (b) The milo meter of a tractor cab and tractor has remained inactive for more than two years and no action had been taken to repair it.
- (c) From 2014 to 2016, the total assets had been purchased amounting to Rs. 5,301,701 had not been recorded in fixed asset register and inventory register.
- (d) The test of laboratory conducted by national water supply and drainage board had proven that 03 water projects which supplied drinking water to 796 families had been unqualified for drinking.
- (e) Due to the lack of proper maintenance of the filter in the Siyambalagha water project, the water filter had not been used for several years.
- (f) Due to the lack of proper maintenance of the pump house station of the Madudamana Water Supply Scheme, the water supply had not been provided continuously.

3.3 Solid Waste Management

Although the Alahera Pradeshiya Sabha has 28 gramaseveda divisions, garbage dumps are collected only in Bakamuna and the Diyabeduva area and the land of Attanakadawala fair. It is observed that around 3 tons of collected daily garbage then released to the forest reserve without any classification and this could be a threat to the wild lives including to wild elephants.

3.4 Identified Losses

- (a) After the dissolution of the Council, six mobile phones had been taken by the members of the sabha for personal use and no action had been taken to get back them up to 31May 2017.
- (b) It was revealed at the field sampling test, that the revenue collected by misusing field receipts had been incorrectly excluded by revenue administration officer. No action had been taken with regard to the misuse of Rs.172, 500 up to 30May 2017.

4. Systems and Controls

Special attention should be given to the following systems and controls.

- (a) Fixed Assets
- (b) Revenue Administration
- (c) Debt / credit control
- (d) Vehicle Control