

Elahera Pradeshiya Sabha

Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

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 29 May 2019 and 24 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Elahera 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 the Qualified Opinion

a) Accounting Deficiencies

	Audit Observations	Recommendations	Comments of the Accounting Officer
(i)	Advance Accounting System had not been followed for the things in the Store.	Advance Accounting System should be followed.	Answers had not been given.
(ii)	Income from the Stamp Duty had not been identified and accounted as at 31 December for the year under review.	All the Income relevant for the year under review should be identified and accounted.	Actions would be taken to contact with all the relevant institutions and have an immediate solution.
(iii)	Values of 36 Lands owned by the Sabha had not been identified and accounted.	Values of the Lands should be correctly assessed and accounted.	Hope to carry out a Survey in the future.
(iv)	300 kg of Crusher Powder of Rs.37,500 left in the stores had not been incurred in the Closing Stock.	Closing Stock should be correctly calculated and accounted.	Actions would be taken to incur the amount in the Opening Stock in the year 2019.

(b) Unreconciled Accounts

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) A Difference of Rs.48,458,435 had been occurred in 4 items between the Financial Statements as at 31 December of the year under review and the other Subsidiary Assets Schedules. Details are given below.	The register of assets should be updated, controlled and declared the accurate values in the Financial Statements.	Actions would be taken to correct the difference.

Description of Accounts -----	Balance as per the Financial Statements -----	Balance as per the Schedules -----	Difference -----
	Rs.	Rs.	Rs.
Computer and Accessories	1,236,037	1,046,547	189,490
Machinery and Equipments	10,133,838	9,426,459	707,379
Motor Vehicles and Carts	191,217,190	146,219,823	44,997,367
Weapons and Tools	3,749,631	6,313,830	2,564,199
Total			48,458,435

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) Value of Rs.184,952,094 on eight items of accounts could not be satisfactorily vouched during the audit due to non rendition of necessary information.	Evidence for confirming the balances of accounts in the financial statements should be furnished.	Actions would be taken to correct the shortcomings and make the documents.

1.4 Non Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) <u>Pradeshiya Sabha Act No.15 of 1987</u>			
(i) Section 24	Sabha had not marked and planned the permanent signs and boundaries or displayed a notice with the list of names of the roads and lanes which maintained by them.	Should prepare the plan for the permanent signs and boundaries and display notices with the list of the names of the roads and lanes.	Hope to make actions in the future.
(ii) Section 60(iii)	Actions had not been taken to make Supplementary Allocation and recover the Transportation Fees for using the roads of the Sabha for transporting stones, sand, gravel and soil for the year under review.	Should make the necessary supplementary provisions to recover the Transportation Fees.	Actions would be taken to make the supplementary allocations for transporting stones, sand, gravel and soil.
(iii) Section 135	A list of public, religious, philanthropic, educational and domestic places had not been prepared for the rates free property.	Should prepare a list for the duty free property.	Agree with the observation.
(iv) Section 150(a), 152(b), and 159(1) and (2)	Actions had not been taken to recover the arrears income of Rs.22,238,706 as at 31 December of the year under review.	Actions should be taken on arrears income according to the regulations of the Act.	Hope to take actions according to the regulations of the Act.
(b) Section 23(b) of the National Environmental Act No.47 of 1980	Revenue from Licence Fees had been lost for the Sabha because of not taking the necessary actions to	Actions should be taken to issue the Environmental	Licence were issued for 13 out of 18 Industries.

issue new Licence for 05 industries, Licence.
even though their Environmental
Licence had been expired.

(c) 1988 Pradeshiya Sabha
(Finance and
Administration) Rules

- | | | | | |
|-------|---------------------|--|---|---|
| (i) | <u>Rule No.180</u> | Guarantees had not been kept from the officers who act in charge of cash and stores or collecting revenue | Guarantees should be kept from the officers who act in charge of cash and stores or collecting revenue. | Actions would be taken to keep guarantees from the officers in charge of stores and collecting revenue. |
| (ii) | <u>Rule No.194</u> | Actions had not been taken to maintain documents on assets and to put forward a report according to the form P.S 45 on assets after making an annual inspection. | Sabha should maintain documents on assets and do an annual inspection. | Actions would be taken accordingly. |
| (iii) | <u>Rule No. 204</u> | Even though a shortage had been revealed by the board of survey in 2017 on 214 items of goods related to 27 categories necessary actions had not been taken. | Actions should be taken to further inspect the Shortage according to the Rules of the Pradeshiya Sabha. | Decisions would be taken. |
| (iv) | <u>Rule No. 218</u> | A survey had not been carried out to assess all the lands owned by the Sabha. | An annual survey should be carried out on Sabha property. | Hope to do a survey in the future. |
- (d) Financial Regulations of
the Democratic Socialist
Republic of Sri Lanka
- | | | | | |
|-----|---------|--|--|-------------------------------------|
| (i) | F.R 371 | Payments had been made as advances of Rs.803,650 to 37 officer who was not in Staff grade to provide goods and services. | Advance payments should be stopped paying to the officers who were not in Staff Grade. | Agreed with the observations. |
| | | Even though the advances should be settled right after completing the | Advances should be settled right after | Necessary advices had been given to |

		tasks, 11 advance vouchers for the time period 12 April 2017 to 31 August 2017 of Rs.284,800 had not been settled as at 20 February 2019.	completing the tasks.	Settle those advances, with the complete vouchers and bills in the year 2019.
(ii)	F.R.1647	Details about repairs for vehicles during the year under review of Rs.336,979 had not been entered in the Log Entry Books.	Details about repairs for vehicles should be entered in the Log Entry Books.	Actions would be taken to enter in the Log Entry Books.

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.7,134,529 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.8,792,441.

2.2 Revenue Administration

2.2.1 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	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	336,577	340,682	598,821	785,795	336,577	336,675	188,785	988,228
(ii) Rent	1,488,000	1,336,000	1,185,635	944,700	1,199,700	1,272,000	671,700	790,710
(iii) Licence Fees	800,000	983,018	983,018	-	550,000	221,710	22,710	-
Total	2,624,577	2,659,700	2,767,474	1,730,495	2,086,277	1,830,385	878,195	1,778,938

2.2.2 Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Rates receivables had been Rs.785,795 as at 31 December 2018 inside the Sabha territory according to the Rates schedules.	Actions should be taken to recover the rates receivables.	Actions had been taken to recover the prevailing receivables.
(b) Rates had been recovered based on a Rates Assessment in the year 2004 without making timely assessments.	Rates should be assessed once every five years.	A request to assess the rates of the Sabha Rates property had been made from the Government Valuation Department.
(c) Garbage Tax receivable from 459 institutions of Rs.180,150 had not been recovered as identified by the field inspection.	Actions should be taken to recover the Garbage Tax.	Garbage Tax would be collected from May in the year 2019.

2.2.3 Rent

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Even though the rent should be assessed every 05 years according to the Chapter 02 of the Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Authorities, Sabha had recovered the stall rent based on a temporary assessment made in the year 2017 without making a Assessment after year 2008.	Rent should be reassessed every five years and revised.	A request had been made by the Government Valuation Department to make an assessment ahead.
(b) Most of the Agreements between the Sabha and the Stalls of the Sabha made over 10 years ago and 70 Stall agreements had not been updated or actions had not been taken to make new agreements.	Necessary updates should be made to the agreements of the stalls and new agreements should d be made in necessary situations.	Actions would be taken to make new agreements.
(c) The Rent of Rs.532,350 had not been recovered as at 27 February 2019 for the J.C.B Machine, Motor Grader Machine and Roller Machine that had been given on rent basis during the year under review.	The Money Receivable should be recovered as soon as possible.	The Answer given is not clear.
(d) The tender fee had to be recovered from the Stalls at Dehiwatta Weekly Fair of Rs.4,374,750 had not been recovered as at 31 December 2018.	The money receivable should be recovered as soon as possible.	Agreed and Rs.1,302,550 had been recovered as at 31 May 2019.

2.2.4 Court Fines and Stamp Fees

Audit Observations	Recommendations	Comments of the Accounting Officer
Receivable Court Fines as at 31 December 08, 2018 Rs.11,864,320 and Receivable Stamp Duty as at 01 January 2018 Rs.655,803 from the Chief Secretary and the other officers of the Sabha had not been recovered and also the Receivable Stamp Duty had not been identified for the year under review.	Action should be taken to recover the receivable income.	Agreed with the observations.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) <u>By-laws</u> Even though by-laws should allocate on the matters under Section 126 of the Pradeshiya Sabha Act Supplementary budgets had not been allocated for 11 matters as at 31 December 2018.	Action should be taken to identify the matters and allocate by-laws.	Actions would be taken to make by-laws and make a notice in the Gazette after forwarding them to the Minister.
(b) <u>Action Plan</u> An action plan had not been prepared for the tasks that should complete according to the by-laws by the Sabha.	Action plan should be prepared.	Actions had been taken to make an Action Plan for the period July to December 2019.

(c) **Solid Waste Management**

Sabha had not been provided the necessary physical and human resources to dispose daily solid waste of 03 tons in an environment friendly manner.

Solid Waste should dispose in an environment friendly manner and provide necessary resources.

Action had not been taken to provide a land legally even though a request had been made from the Divisional Secretary since 2014.

3.2 Management Inefficiencies

Audit Observations

Recommendations

Comments of the Accounting Officer

- (a) New constructions had been made in 04 stalls owned by the Sabha by the agreement holders without the permission of the Sabha.
- (b) Rent receivable had been Rs.69,000 from the No.01 stall at the left of the Hospital Road and Rs.12,000 from the Stall No.01 of the Bakamuna Weekly Fair as at 31 December 2018.

Reasonable agreements should be made when leasing.

Actions should be taken to recover the rent receivables.

Actions had been taken to recover the rents receivables and to take legal actions.

Actions had been taken to recover the rents receivables and to take legal actions against the non-payers.

3.3 Assets Management

Audit Observations

Recommendations

Comments of the Accounting Officer

A Rice Flour Machine and a Cab owned by the Sabha had been remained idle.

Idle assets should be effectively utilized.

Actions would be taken according to the Board of Survey 2018.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Recommendation

Comments of the Accounting Officer

A variance between 48-56 percent in 05 items of revenue and a variance between 10-134 percent in 08 items

Should identify the sources of revenue and expenditure and prepare

Actions had been taken to make the budget for the year 2019 be a participatory

of expenditure had been appeared because of not identifying the sources of revenue and expenditure and not preparing the estimates of the Sabha.

the estimates.

budget.

4.2 Internal Audit

Audit Observation

Sabha had not been carried out an Internal Audit for the year under review.

Recommendation

Action should be taken to carry out an Internal Audit.

Comments of the Accounting Officer

Agreed with the observations.

4.3 Audit and Management Committee

Audit Observation

Even though the Audit and Management Committee meetings should be hold every 02 months according to the letter No.NCP/CS/01-Audit dated 11 May 2016 of the Chief Minister of the North Central Province, only one Audit and Management Committee Meeting had been hold for the year 2018.

Recommendation

Audit and Management Committee Meetings Should be hold.

Comments of the Accounting Officer

Actions would be taken to hold the Audit and Management Committee Meetings in the year 2019.

4.4 Unresolved Audit Observations

Audit Observation

A feasibility study had not been done for the project of the Construction of Long Distance Bus Stop and the Shopping Complex and permission had not been obtained to demolish the rock from the Central Environmental

Recommendation

Actions should be taken with preventing ineffective expenditure. Projects should be economy as to the capacity of the Sabha.

Comments of the Accounting Officer

Agreed with the Observation.

Authority. Even though Sabha had spent Rs,13,163,228 to demolish rock in the land as at 31 December 2018 it had been ineffective because the Road Passenger Transport Authority had been chosen another land owned by the Multi-purpose Cooperative Society, spent Rs.50 million and decided to build the long distance bus stop. And also it had been questionable to pay a skilled labourer and unskilled labourer Rs.12,329,136 for a period of 15 months to the task of blasting the rock with Gun Powder. The contractor had sent a letter of demand to recover fees of Rs.9,904,960.