

**Elahera Pradeshiya Sabha
Polonnaruwa District**

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for the audit on 28th February 2020 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 June 2020 and on 08th July 2020 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 Elehera Pradeshiya Sabha as at 31st December 2019 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 Policies

Audit Observation

Recommendation

Comments of the
Accounting Officer

Stamp duty of Rs.150,000 had been estimated due to not receiving information of stamp duties and a stamp duty of Rs.1,203,317 only had been taken to financial statements recommended by provincial treasury in year 2018 as arrears of stamp duties for the year 2018.

Actions Should be taken to identify and account correct stamp duties by referring files of un-recommended stamp duties.

It has informed that estimate was done due to not receiving information and recommended income was accounted.

(b) Unreconciled Accounts

Audit Observation

Recommendation

Comments of the
Accounting Officer

02 Assets of Rs.82,300 included in the Fixed Assets register had not been entered to the schedule presented with financial statements as at 31st December in the year under review.

Value should be identified and accounted.

Actions had been taken to correct.

(c) Lack of documentary evidences necessary for audit

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Necessary evidences for the 07 subjects of assets and liabilities valued to Rs.659,390,604 were not presented to the audit.	Evidences of confirming the balances in the financial statements should be presented.	Relevant documents are maintaining, board of survey reports for 2019 is being prepared and short comings will be corrected when preparing documents in compliance with new accounting standards in 2020.
(ii) Necessary information for the Rs. 937,680 of 02 income subjects had not been presented.	Detailed schedules and income register should be prepared and updated.	Accepted. From 2020, income will be documented and updated.

1.4 Non Compliances

Non Compliances with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Non- Compliances	Recommendation	Comments of the Accounting Officer
(a). Pradeshiya Sabha Act No 15 of 1987	Rs. Notice had not been published about names of the roads and lanes maintaining by the Pradeshiya Sabha.	Actions should be taken do the activities assigned by the Acts.	Agreed. It will be done in future.

- (ii) Clauses 150, 152, 159(1) and (2) Actions had not be taken regarding the arrears of income as at 31st December in the year under review. Actions should be taken to recover arrears of income according to the provisions of the Act. Accepted. Actions will be taken in the future according to the provisions of the Act.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure for the year ended 31st December 2019 amounted to Rs.12,891,274 as compared with that excess of revenue over recurrent expenditure in the previous year was Rs.7,134,529.

2.2. Financial Control

Audit Observation	Recommendation	Comments of the Accounting Officer
Cumulated value of 02 bank accounts of Rs.57,212 was in the idle for a 01 to 07 years.	Actions should be taken to utilize.	It has forwarded to get advices from Department of Local Government.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Information relating to the Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue for the year under review and previous year appear below.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 st December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 st December
Rates and Taxes	1,318,674	1,285,850	1,779,738	389,546	1,488,674	1,229,949	1,488,088	785,795
Rent	8,345,000	8,153,570	10,843,230	3,249,760	10,345,800	17,383,010	12,149,925	6,023,920
License fees	230,000	344,000	344,000	-	350,000	242,251	242,251	-
Other	15,973,000	21,590,603	19,210,958	17,505,388	12,100,000	18,830,418	9,386,075	15,125,743
Total	25,866,674	31,374,023	32,177,926	21,144,694	24,284,474	37,685,628	23,266,339	21,935,458

2.3.2. Rates and Taxes

----- Audit Observation

Recommendation

Comments of the Accounting Officer

Valuation had not been done and Rates had been charges based on the valuation done in 2004.

Rates should be valued once in 05 years.

Accepted. It has presented to the approval of Local Government Department and after receiving the approval, it will be valued.

2.3.3. Rent Income

----- Audit Observation

Recommendation

Comments of the Accounting Officer

(a). Actions had not been taken to update and enter to new agreements regarding 84 stalls.

Actions should be taken to update agreements.

Accepted. Actions will be taken to update agreements.

(b). Rent income arrears as at 31st December 2019 was Rs.3,249,760.

Arrears of rent income should be quickly recovered.

Actions will be taken to recover income arrears.

(c). Tender money of Rs.1,769,050 due from 06 stalls at Diyabeduma, Dehiwatta weekly fair land had not been recovered up to 31st December 2019.

Arrears of rent income should be quickly recovered.

Actions will be taken to recover income arrears.

(d). A Rs.884,130 due from renting JCB machine, motor Grader and Rock roll had not been recovered.

Arrears of rent income should be quickly recovered.

Actions will be taken to recover income arrears.

2.3.4. Court Fines and Stamp Duty

----- Audit Observation

Recommendation

Comments of the Accounting Officer

Court fines of Rs.12,053,270 as at 31st December 2019 and stamp duty of Rs.1,061,805 as at 1st January 2018 due from Chief Secretary and other authorities had not been recovered.

Actions should be taken to identify and recover arrears.

69 percentage from arrears income had been charges so far.

3 Operating Review

3.1 Performance

The following matters were revealed with regards to duties to be fulfilled by the Sabha in terms of section 3 of the Pradeshiya Sabha Act No. 15 of 1987 such as regularization and control of matters relating to public health, common utility services and public roads, healthy environment of the public, amenities and welfare etc.

(a) Action Plan

Audit Observation

Recommendation

Comments of the
Accounting Officer

Annual Actions plan for the activities should be done in year 2019, had not been prepared.

Annual Actions plan should be prepared.

Accepted. It had been prepared for the year 2020.'

(b) Sustainable Development Goals

Audit Observation

Recommendation

Comments of the
Accounting Officer

(i) Although Sabha had been awared about Sustainable Development Goals introduced by the United Nations organization, goals relating to Sabha had not been identified correctly out of that goals and there was no methodology for collecting data to measure goals and targets. Financial Provisions for achieving the sustainable development targets in year 2017, 2018, 2019 had not been identified. Methodology for training the personnel of the entity for achieving targets and other state institutions which should be get connected to achieve targets had not been identified.

Identifying the goals relevant to Sabha, making a methodology for collecting data, financial allocation, identifying connected entities should be done.

Agreed.

(c) Solid Waste Management

Audit Observation

Recommendation

Comments of the
Accounting Officer

Actions had not been implemented to minimize the environmental damage by removing digestible garbage to the Redi Ela reservation.

Actions should be taken to manage the solid waste.

Garbages are brought to Kaushima machine from 22.02.2020.

3.2. Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
03 Recommendations given by the Environmental and facility committee in year 2018 had not been implemented by the 31 st December in the Year under review.	Concentration of the Sabha should be given to implement recommendations of the Environmental Committee.	Committee was not held since there was no quorum.

3.3. Human Resources Management

(a). Employees shortages and surplus

Audit Observation	Recommendation	Comments of the Accounting Officer
There were 07 vacancies and 14 surpluses in approved cadre.	Personnel should be recruited according to the necessity of the entity.	Accepted. Actions will be taken to fulfill the vacancies and to approve the surpluses.

3.4 Assets Management

3.4.1 Idle Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
A rice floor production machine valued to Rs.332,500 had been in idle for a more than 10 years.	Actions should be taken to utilize or dispose idle assets.	Advices from department had been requested.

04. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Adequate internal audit had not been made for the year	Actions should be	Accepted.

under review.

taken to implement an adequate internal audit.

4.2 Audit and Management Committee Meetings

Audit Observation

Only 01 Audit and Management committee meeting had been held for the year under review.

Recommendation

Actions should be taken to held audit and management committee meeting once per quarter.

Comments of the Accounting Officer

Accepted. Actions will be taken to hold the committees from 2020.

4.3 Unresolved Audit Paragraph

Audit Observation

A Rs.15,675,708 had been an idle expenditure paid to the demolish a rock for the construction of long distance bus stand and shopping complex without getting the approval of the General Assembly. Pradeshiya Sabha had not given concentration for that money and responsible person for that.

Recommendation

The money incurred in illegal way, should be Surcharged from responsible parties.

Comments of the Accounting Officer

Accepted. A request had been made department of local government for conducting an inquiry.