

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 2019 had been presented for audit on 06 April 2020 and the report of the Auditor General on 17 June 2020 and the Detailed Management reports on 30 June 2020 had been sent to the Chairman of the Council.

1.2 Qualified Opinion  
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In my opinion, except for the effect of matters described in the, basis for qualified opinion under the Section of my report the financial statements give a true and fair view of the financial position of the Elpitiya Pradeshiya Sabha as at 31 December 2019 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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1.3.1 Accounting Deficiencies  
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Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Provisions amounting to Rs.7,751,820 had not been done for the Local Government Pension Fund in the accounts as at 31 December of the year under review.	Creditor provisions should be made.	Action will be taken to rectify in future.
(b) A Loan to be paid to Local Loan and Development Fund amounting to Rs.12,135,127 was accounted in the financial statements as Rs.12,266,954 as at 31 December 2019.	Should be accounted correctly.	Action will be taken to rectify in future.

1.3.2 Unreconciled Control Accounts.  
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Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
There was a difference of Rs.2,015,738 between two balances of the Financial statements and their relevant balances in utility registers/ sub registers in 02 accounting items as at 31 December of the year under review.	Action should be taken to correct the accounts after comparing the differences in their balances.	Noted that action will be taken to correct in future.

1.3.3 Receivable and Payable accounts.

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Receivable accounts		
Action had not been taken to recover Back-Hoe machine income amounting to Rs.940,837 and an amount of Rs.62,475 to be received for work bought forward since a long time in the Financial Statements.	Should be recovered.	Recovering of Income is continuously bough to attention. Action will be taken to recover in future.
(b) Payable accounts		
Action had not been taken to settle 04 balances amounting to Rs.727,190 related to the preceding years.	Should be settled.	Action will be taken to pay properly in future.

1.3.4 Lack of documentary evidence for audit.

Non-submission of information for audit

Audit Observations	Recommendation	Comments of the Accounting Officer
Information regarding 07 accounts amounting to Rs.190,954,372 was not submitted for audit.	Action should be taken to submit evidence to confirm the balance of financial statements.	Action will be taken to rectify in future.

1.4 Non-Compliance

Non-compliance with Laws, Rules, Regulations and Management decision.

References to the Laws, Rules, Regulations and Management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) 1987 Pradeshiya Sabha Act No.15			
(i) Paragraph 159	Action had not been taken to recover rentals for the shop amounting to	Action should be taken according to the paragraph of Act.	Action will be taken according to the paragraph in future.

Rs.3,393,672 as at end of the year under review.

(ii) Paragraph 132	An amount of Rs.235,000 had been spent on works that had not been allowed to use from Pradeshiya Sabha Fund.	Action should be taken according to the Paragraph of the Act.	Action will be taken to correct future.
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(b) 1988 Pradeshiya Saba (Financial and Administrative) Rules			
(i) Rule 33	A list of persons who had neglected to pay the Assessment Tax and a list of prohibition of property warrants had not been prepared.	Action should be taken to prohibit property involved Assessment Tax.	Action will be taken to correct in future.
(ii) Rule 59	A list of industries within the area of authority of the council had not been prepared after conducting a survey.	A list of industries within the area of authority of the council should be prepared.	Action will be taken to correct in the future.
(iii) Rule 193	A statement had not been prepared depicting the reasons for the Excess and Deficiencies after comparing the Budget income and Expenditure items.	Proper action should be taken according to the paragraphs of the Act.	Action will be taken to rectify in future.
(iii) Rule 218	An annual inspection had not been conducted on all Land and Buildings belonging to the Council.	All land and building belonging to the council should be inspected and report.	Action will be taken to rectify in future.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Financial Regulation 570 and 571	Action had not been taken regarding the deposit balances amounting to Rs. 85,000 more than 2 years.	Action should be taken according to the Financial Regulations.	Action will be taken to correct in future.
(d) Circular of the Ministry of Finance No.PFD/ASD /02/VEH/CIR/2015 dated 10 July 2015.	Action had not been taken for 04 vehicles disposed from running.	Action should be taken in accordance with guidelines of the Circulars.	Action will be taken to rectify in future.
(e) The Circular of the Secretary of the Ministry of Public Administration and Management No.30/2016 dated 29 December 2016	Fuel consumption tests was not done for the vehicles belonging to the council.	Action should be taken in accordance with the guidelines of the Circulars.	Action will be taken to rectify in future.
(f) The paragraph No 05 of the Circular No 2010/01 of the Commissioner General of Local Government dated 27 December 2010,	Rent agreements had not been updated for 43 Shop rooms.	Contracts should be updated as the Circulars instruction.	Action will be taken to correct in future.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the Revenue over Recurred expenditure of the Council for the year ended 31 December 2019 amounted to Rs.31,493,028 as compared with the corresponding Income over Recurrent Expenditure for the preceding year amounted to Rs.25,251,341.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, Collected Income, and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	2019				2018			
	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and tax	3,133,000	4,068,620	2,243,642	15,385,737	3,077,000	3,193,888	1,648,687	13,560,759
Rent	2,060,000	2,190,345	1,754,790	3,393,672	2,060,000	2,059,200	2,408,550	2,958,117
License fees	800,000	895,058	882,578	105,534	900,000	977,459	906,965	93,054
Other income.	13,200,000	36,289,872	29,000,000	28,732,322	12,500,000	24,237,553	17,500,000	21,442,450
	19,193,000	43,443,895	33,881,010	47,617,265	18,537,000	30,468,100	22,464,202	38,054,380

#### 2.2.4 Court fines and stamp duties

##### Audit Observations

The Court Fines and Stamp fees to be taken from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review amounted to Rs.27,895,755 and Rs.836,567 respectively.

##### Recommendation

Action should be taken to recover the receivable income.

##### Comments of the Accounting Officer

Action will be taken to recover the relevant income in future.

### 3. Operational Review

#### 3.1 Performance

Facts observed relating to the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

##### (a) Action plan

##### Audit Observations

An annual action plan was not made for the duties to be performed by the Council according to By-Laws.

##### Recommendation

An annual Action plan should be prepared according to Bylaws.

##### Comments of the Accounting Officer

Action will be taken to correct in future.

(b) Solid waste management  
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Audit Observations	Recommendation	Comments of the Accounting Officer
----- A proper long-term plan was not operated for the Garbage management by the council.	----- Proper plans should be made for the management of garbage.	----- Action is being prepared to prepare a proper plan in future.

(c) Achieving the Sustainable Development goals  
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Audit Observations	Recommendation	Comments of the Accounting Officer
----- Plans had not been made according to 2030 Agenda for the Purposes of Sustainable Development for the global view of such purposes to enhance the living standards and health of the people living in the Council Territory.	----- Action should be taken to enhance the living standards and of the citizens by preparing long term plans for sustainable development.	----- A plan will be made in the future to enhance the living standards of the people living within the area of authority in future.

3.2 Management inefficiencies  
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Audit Observations	Recommendation	Comments of the Accounting Officer
----- The crematorium was idle since 26 September 2019 and action had not been taken to repair it, the chimney of the crematorium had collapsed into the roof and damage it.	----- Action should have to be taken to do repair as soon as possible.	----- Action is being taken up to now regarding the matter.

3.3 Human Resource management  
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Audit Observations	Recommendation	Comments of the Accounting Officer
----- Action had not been taken to recruit 12 vacancies and formalizing 05 excess of cadre of the approved staff according to the cadre plan.	----- Action should be taken to formalize excess and recruit for vacancies.	----- Action will be taken to rectify in future.

3.4 Fruitless expenditure

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Audit Observations

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A payment of Rs.137,000 had been made for purchase a software for assessment management in 2014. This assessment software package was completely abandoned and the expenditure incurred for it deemed fruitless.

Recommendation

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The relevant software should be activated.

Comments of the Accounting Officer

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Action will be taken to rectify in future.

4. Accountability and good governance

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4.1 Internal Audit

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Audit Observations

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A proper internal Audit were not conducted for the year under review.

Recommendation

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A proper internal audit should be conducted.

Comments of the Accounting Officer

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Action will be taken to rectify in future.