

**Angunakolapelessa Pradeshiya Sabha**  
**Hambanthota District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 17 April 2014 while Financial Statements relating to the preceding year had been submitted on 13 May 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 16 December 2014.

**1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Angunakolapelessa Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

Although the accounts should be prepared by the Local Authorities with effect from 01 January 2011, according to the Sri Lanka Public Sector Accounting Standards, in terms of the Circular No. PED/54 dated 19 January 2010 of the Director General of Public Enterprises, those standards had not been followed.

**1.3.2 Accounting Deficiencies**

Following observations are made.

- (a.) Although a sum of Rs. 2,223,205 had been debited as additions during the year in the Buildings Account, value of that had been Rs. 2,423,205. Due to that value of buildings had been under capitalized in a sum of Rs. 200,000.
- (b.) Although a sum of Rs. 2,795,212 had been spent according to the register and files maintained construction works of the Solid Waste Management Project, only a sum of Rs. 1,282,638 had been capitalized. Accordingly, the value of Land and Buildings had been understated in a sum of Rs.1,512,574 in the Balance Sheet.
- (c.) While contributions amounting to Rs. 452,553 payable to the Director General of Pensions as Local Government pension contributions as at 31 December 2013 had been dropped from the financial statements for the year under review, the expenditure relevant to the year included therein amounted to Rs.28,402.
- (d.) Although the Stamp Fees Revenue receivable at the beginning of the year under review according to the Stamp Fees Register and the file maintained by the Sabha was Rs.749,058, the opening balance in the Ledger Account had been shown as Rs. 422,880 understating in a sum of Rs.326,178.

- (e.) Although the Courts Fines Control Account should be credited having debited the Accumulated Fund Account in order to write off the excess revenue amounting to Rs.1,126,647, a sum of Rs.1,435,996 had been debited and credited in the above accounts through Journal Entry 19. Accordingly, a sum of Rs.309,349 had been over adjusted in those accounts.
- (f.) Although the Stalls Rent Revenue (5.20) receivable as at the ending date of the year under review according to the Stalls Rent Register was Rs. 380,226, it had been shown as Rs.452,825 in the Balance Sheet, overstating in a sum of Rs.72,599 under Revenue Debtors.
- (g.) Although a sum of Rs. 5,649,650 had been allocated as Creditors in respect of the Inter Villages Developments Project, according to the journal entry 14, it had been shown as Rs.5,469,446 in the Balance Sheet understating in a sum of Rs.180,204.
- (h.) While a sum totalling Rs.2,477,022 had not been paid for 05 Works as at 31 December 2013 according to the Works Register, provisions for Creditors had not been made for that.

### **1.3.2 Accounts Payable**

Action had not been taken to pay 04 installments of the loan payable for the year 2013 amounting to Rs.2,256,180 of the loan of Rs.14,774,321 provided out of the Local Loans and Development Fund for development of roads belongs to the Sabha. While the last payment made had been Rs.350,000 out of the installment of Rs.564,065 payable for the fourth quarter of the year 2012, the loan balance payable as at 31December 2013 had been Rs.13,533,848.

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

Evidence such as confirmation of balances, registers and schedules relating to transactions totalling Rs.11,896,661 was 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 for the year ended 31 December 2013 amounted to Rs.1,077,966 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 2,661,866.

## 2.2 Revenue Administration

Following observations are made.

### 2.2.1 Performance in collection of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
-----	-----	-----	-----
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	310	205	86
(ii.) Lease Rent	12,696	9,252	463
(iii.) Licence Fees	515	624	257
(iv.) Other Revenue	13,257	13,562	1,681

### 2.2.2 Stalls Rent

Following matters are observed.

- (a.) Although it had been informed vide Circular No. SLA/CLG/2010/01(2) dated 27 December 2010 of the Southern Province Commissioner of Local Government that rent for all stalls should be decided on the basis of the assessed value, such assessment had not been made by the Sabha with regard to stalls in the Public Market.
- (b.) Although the assessed amount should be amended through a new assessment at least once in five years according to paragraph 06 of the above mentioned circular, the same amount assessed on 20 March 2007 for 04 stalls at Debokkawa had been recovered up to 31 December 2013.
- (c.) Although all agreements should be updated once in three years, such action had not been taken.
- (d.) While the Stalls Rent in arrears as at 31 December 2013 was Rs. 452,825, action in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover that amount in arrears.

### 2.2.3 License Fees

Action in terms of Section 149 and 150(4) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover a total sum of Rs. 256,657 as License Fees in arrears as at 31 December 2013, including the arrears of Rs. 82,367 outstanding according to the financial statements for the

years 2012 and 2013 furnished by the Almali Hotel which is a hotel registered in the Ceylon Tourists Promotion Board, carrying on business in the area of authority of the Sabha.

### **3. Operating Review**

#### **3.1 Management Inefficiencies**

- (a.) A sum of Rs.15,232 had been overpaid contrary to the provisions in paragraph 02 (VI) of the Public Administration Circular No.09/2007, to a retired person who had been acting in the post of secretary from February 2013 to 14 June 2013.
- (b.) Nation Building Tax money collected by the Sabha during the period from the year 2009 to the year end of 2013 amounting to Rs.512,274 had not been remitted to the Department of Inland Revenue even up to 20 June 2014.

#### **3.2 Improper Transactions**

- (a.) While the construction works of the Buddhi Mandiraya (Town hall) belongs to the Sabha had been performed through an external organization, a sum of Rs. 45,916 had been spent from the Council Fund on account of water and electricity bills, although there had not been a proper agreement with regard to settlement of water and electricity bills.
- (b.) While street lamps equipment amounting to Rs.738,376 had been purchased from an outside establishment during January to October 2013, purchase of these items had been made based on the quotations obtained during the years 2011 and 2012, without calling for quotations in terms of Pradeshiya Sabha (Financial and Administrative) Rule 177 of 1988.

#### **3.3 Assets Management**

- (a.) Idle Assets  
The Cab vehicle bearing No. 53-5713 and the tractor without engine belong to the Sabha had been kept idle without action being taken either to repair or to follow a suitable procedure.
- (b.) Identified Losses  
Although the Tractor Engine bearing No.K 80 990097 valued at Rs. 92,000 had been misplaced on 31August 2000 or on a date near to that , action in terms of Financial Regulations 103(1), 104 and 110 of the Republic of Sri Lanka had not been taken in that connection.

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

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management