

Lahugala Pradeshiya Sabha

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Ampara 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 under review had been presented to audit on 26 March 2014 and the financial statements for the preceding year had been presented on 08 May 2013 and the report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 06 January 2015.

**1.2 Qualified Opinion**  
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In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Lahugala 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**  
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**1.3.1 Non- compliance with Sri Lanka Public Sector Accounting Standards**  
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The financial statements had not been prepared in accordance with the Sri Lanka Public Sector Accounting Standards in terms of Circular No. PL/05/BA/ ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ 27 January 2014 of the Secretary to Ministry of the Local Government and Provincial Councils.

### 1.3.2 Accounting Deficiencies

The following accounting deficiencies are observed.

(a) In the recovery of loans from the employees, a sum of Rs. 7,775 overcharged, had been set off from the recoverable balance of other employees without showing separately as an amount payable. As such, the balance of the Employees' Loan Account had been understated by Rs. 7,775.

(b) Adjustments had not been made in the accounts in respect of 1040 misplaced library books valued at Rs. 94,765 and 241 library books of which the value was unidentified.

### 1.3.3 Lack of Evidence for Audit

The evidence shown against the following items of accounts had not been made available to audit. As such, those values could not be satisfactorily vouched or examined in audit.

| Item                   | Value       | Evidence not made available |
|------------------------|-------------|-----------------------------|
| -----                  | -----       | -----                       |
|                        | Rs.         |                             |
| Fixed Assets           | 129,386,496 | - Register of Fixed Assets  |
| Warrant fees and fines | 1,552,791   | } - Register of Revenue     |
| Rental Revenue         | 135,000     |                             |
| Other Revenue          | 144,982     |                             |
| Revenue Debtors        | 26,983      | - Debtors' Register         |

### 1.3.4 Non –compliances with Laws, Rules, Regulations and Management Decisions

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Non-compliances with the following laws, rules, regulations and Management Decisions were observed.

| <b>Reference to laws, rules, regulations etc.</b> | <b>Non-compliance</b> |
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| <b>(a) <u>Pradeshiya Sabha Rules</u></b> |  |
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| (i) Rules 59- 66 | Action had not been taken to conduct a research and identify institutions from which industrial tax should be recovered in the area of the Sabha. |
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| (ii) Rule - 203 | A representative of the Sabha had not been appointed for the Board of Survey conducted for the year 2013. |
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| (iii) Rule - 218 | Even though the lands and buildings should be inspected every year, inspections had not been annually carried out in respect of the lands and buildings belonging to the Sabha for which the value had been shown as Rs. 47,976,952. |
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| <b>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b> |  |
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| Regulation 880 | The security that should be given by officers who are entrusted with the collection of money, stores and |
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revenue, had not been given.

## **2. Financial Review**

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### **2.1 Financial Result**

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According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2013 was Rs.1,142,861 as against the recurrent expenditure exceeding the revenue of the preceding year amounting to Rs.950,056, thus indicating an improvement of the financial result by Rs. 2,092,917.

## **3. Operating Review**

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### **3.1 Management Inefficiencies**

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The following management inefficiencies were observed.

- (a) A number of 1281 books of the Lahugala library and Panama library had been misplaced and out of those books, the value of 1040 books which could be identified amounted to Rs. 94,765. No steps whatsoever had been taken in this connection up to now.
- (b) Nine hundred and thirty three books which had been recommended by the Board of Survey to be discarded from over 10 years had not been discarded.
- (c) Action had not been taken to pass the by- laws necessary to collect revenue from communication towers and advertisements.
- (d) Action had not been taken to transfer 02 cabs, 04 tractors, 05 trailers and a water bowser to the Sabha, received as donations and used by the Sabha.

(e) A water bowser of the Sabha had been sent to a garage for repairs a few years ago and it had not been returned up to now and no action whatsoever had been taken thereon.

### **3.2 Idle /Underutilized Assets**

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(a) A cab, 04 tractors, 04 trailers, a bicycle, a handcart, Sea Cat boat, Yamaha engine and 02 concrete mixers had been in a dilapidated state and necessary action had not been taken to repair or dispose them.

(b) Books of the Hulannuge library closed from the year 2010 had been stored in the office without being made use of.

### **3.3 Solid Waste Management**

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Even though 107 dust bins had been purchased on 13 September 2013 at the rate of Rs.1,868 for distribution to various institutions under Divisional Special Proposals – 2013, out of those dust bins 52 bins valued at Rs. 97,115 had been stored in the office premises even by 07 May 2014, the date of audit.

## **4. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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A variance ranging from 15 per cent to 100 per cent was observed between the budgeted and the actual expenditure thus observing that the budget had not been made use of as an effective instrument of management control.

## **5. Systems and Controls**

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

- (a) Accounting
- (b) Fixed Assets Control
- (c) Library Books Control
- (d) Budgetary Control