

Lunugamvehera Pradeshiya Sabha
Hambanthota District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 02 April 2014 while Financial Statements relating to the preceding year had been submitted on 27 May 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 15 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 Lunugamvehera 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.) While a sum of Rs.740,523 had been received during the month of August of the year under review for making payments totalling Rs.740,523, that amount had been copied as Rs.790,242 to the ledger overstating in a sum of Rs.49,719.
- (b.) A sum of Rs.3,497,920 receivable and payable as at the end of the year under review in respect of 07 works executed under Maga Neguma Programme had not been accounted.
- (c.) Following observations are made with regard to accounting for Stamp Fees.
 - (i.) Although the Stamp Fees Revenue relevant to the year under review was Rs.290,000, a sum of Rs.1,076,244 had been credited to the Revenue and Expenditure Account. A sum of Rs.869,744 relevant to the year 2008 too had been included in this.
 - (ii.) Although the Stamp Fees Revenue in arrears as at the end of the year under review had been Rs.516,925, according to the account it was Rs.264,500. Accordingly it was observed that, a sum of Rs.252,425 had been understated in accounting.
- (d.) A sum of Rs.25,000 received on 06 February 2013 as annual maintenance expenses from a private entity for the year 2012 had been credited to the Revenue Account 1/60, without adjusting it to the Accumulated Fund.

- (e.) While a sum of Rs.40,000 had been received on 20 February 2014 from a private entity as Advertisements Board Charges relevant to the year under review, this amount had not been accounted as revenue receivable at the end of the year under review.
- (f.) A sum of Rs.25,401 paid during the year under review as expenditure relevant to prior years, had been accounted as an expenditure of the year without being debited to the Accumulated Fund.
- (g.) While sum of 250,000 had been transferred to the Sabha Fund from the Savings Account, it had been debited to Other Revenue Account through journal entry No. 10, without debiting it to Cash Account. It had been credited to Other Revenue (1-60) in the Receipt No.9740 dated 15 October 2013.
- (h.) Equipment and Stationery at the yearend valued at Rs. 21,590 had not been taken to the closing stock.

1.3.3 Non-reconciled Control Accounts

A difference of Rs.43,622 was observed between values shown in the Control Account and the subsidiary registers relevant to 06 items of accounts.

1.3.4 Lack of Evidence for Audit

Information required such as schedules, updated registers, confirmations of balances, age analysis and bank pass-books etc. relating to transactions totalling Rs.24,279,522 were not submitted to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.60,538 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.547,840.

2.2 Court Fines and Stamp Fees

Court Fines and Stamp Fees totalling Rs. 449,592 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2013.

3. Operating Review

3.1 Contract Administration

While the Central Environmental Authority had agreed to provide financial assistance for the small scale Solid Waste Management Project, provisions amounting to Rs.5,171,134 had been approved for 12 construction works by letter dated 01 November 2012 of the Chairman of the Central Environmental Authority.

- (i.) Although an advance of Rs.984,978 too had been given on 01 November 2012 for commencement of construction works, only three jobs had been completed as at 13 February 2014, date of audit.
- (ii.) Although a period of more than a year had lapsed after approval of provision and payment of advance, selection of contractors and other course of action had not been taken to commence the other construction works even as at 13 February 2014, date of audit.

4. Accountability and Good Governess

Budgetary Control

- (a.) While it had been failed to reach the expected revenue targets through the Budget, major variations were observed between the budgeted revenue and the actual revenue. Accordingly, the budget had not been made use of as an effective tool management.
- (b.) Any development proposals expected to achieve during the year under review had not been shown in the Budget.

5. Systems and Controls

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

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