

**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 15 May 2015 while Financial Statements relating to the preceding year had been submitted on 17 April 2014. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 07 August 2015.

**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 2014 and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Following observations are made.

- (a.) While the sum of Rs.14,742,698 obtained from the Local Loans and Development Fund for the Roads Development Project had been rescheduled in 30 October 2014, due to that it had been increased to Rs. 16,778,362. Action had not been taken to account for the sum of Rs. 2,035,664 so increased.
- (b.) Although provision for Debtors had not been made for two Works implemented under the Provincial Specific Development Plan during the preceding year, the sum of Rs.1,297,073 received during the year under review on account of that had been credited to Sundry Debtors. Due to that Sundry Debtors had been understated to that extent. Although a sum of Rs.1,039,368 was payable for one of that, provisions for Creditors had been made only for Rs.800,000, and therefore the provision for creditors had been understated in a in a sum of Rs.239,968.

- (c.) Expenditure incurred during the year under review for construction of Karagahawala Stadium out of the provisions amounting to Rs 770;567 of the Ministry of Sports had not been capitalized.

### **1.3.2 Suspense Account**

Action had not been taken to identify and settle a debit balance of Rs. 10,241 that was being brought forward from prior years.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the Financial Statements presented, excess of recurrent expenditure over revenue for the year ended 31 December 2014 amounted to Rs.1,533,118 as against the excess of revenue over recurrent expenditure for the preceding year amounted to Rs.1,077,966.

### **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
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	255	205	1
(ii.) Lease Rent	12,514	9,252	284
(iii.) Licence Fees	1,054	624	133
(iv.) Other Revenue	4,312	13,562	1,624

### **2.2.2 License Fees**

While the License Fees in arrears as at 31 December 2014 amounted to Rs. 133,065 action in terms of Section 152 (4) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover these arrears.

### **2.2.3 Court Fines and Stamp Fees**

Court Fines and Stamp Fees totaling Rs.1,570,353 were receivable from the Chief Secretary to the Southern Provincial Council and other authorities as at 31 December 2014.

## **3. Operating Review**

### **3.1 Management Inefficiencies**

#### **Non-remittance of Nation Building Tax and Making Collections after Cancellation**

The sum of Rs. 598,468 collected as Nation Building Tax from the year 2009 to 4 July 2014, had not been remitted to the Department of Inland even as at 08 March 2015.

### **3.2 Operational Inefficiencies**

#### **(a.) Multi-Purpose Mobile Booths**

Ten Canopy Covering Booths valued at Rs. 270,000 had been provided to the Sabha from the Ministry of Local Government and Provincial Councils under the Development Programme for Minimizing Poverty in Provinces, implemented through Budget proposals for 2013 from the Ministry of Local Government and Provincial Council,

- (i.) Out of these, 07 Booths had been distributed among 07 Members including the Chairman and the Vice Chairman.
- (ii.) These 07 Canopy Covering Sheds not entered in the Inventory Register had not been returned back to the Sabah even at the end their term of service after dissolution of the Local Government Institutions.
- (iii.) Three Canopy Sheds were not produced at the physical inspection carried out by the audit on 07 April 2015. On 15 June 2015, The Chairman had reported to me that those 03 Booths had been damaged and action was

taken to sell those balance pipes left to a party engaged in purchasing metal under Solid Waste Recycling Programme.

It was revealed at the physical inspection carried out on 20 January 2015 there were 06 booths in the stores. The Secretary stated that 02 Booths were given without recovering cash on the basis of a written request made by an outside individual. Any information was not furnished to audit with regard to the balance 02 booths.

(b.) Non-settled advances

Advances amounting to Rs. 965,636 relevant to prior years had not been settled even as at 31 December 2014.

### **3.3 Improper Transactions**

(a.) Although seven members including the Chairman had obtained a sum of Rs.657,738 as Incidental Expenses and Combined Allowances having participated in an educational tour held in Thailand, according to the Passports they were entitle to only 03 days Incidental Expenses. Accordingly it was observed that an extra sum totalling Rs. 27,342 had been obtained.

(b.) According to the supplementary Clause No. 28 dated 04 July 2014 issued amending Clause 2.14.1 of the Government Procurement Guideline Code, a minimum of 05 quotations should be obtained when making purchases over Rs. 500,000. However only 03 quotations had been obtained for payments made for machines used in maintenance works of sub-roads in the area of authority of the Sabha costing Rs. 1.051,700 during the year under review.

### **3.4 Contracts Administration**

Following observations are made.

(a.) An overpayment totalling Rs. 51,843 had been made due to purchase of metal dust more than the quantity required for spreading metal dust on the surface of rubble for the road foundations in connection with 03 road works.

- (b.) Although it has been informed according to the paragraph 01 of the letter No.MPH/HYW/MNG/Cer/14-1 dated 02 July 2014 of the Secretary to the Ministry of High Ways, Ports and Navigation, that estimates should be prepared without including 10 per cent additional cost to be added in the transportation of raw material for the roads development works implemented under Maga Neguma Rural Roads Development Programme, action had not been taken accordingly, for 04 Works implemented having signed agreements by the Sabha after 02 July 2014. Due to that, a sum totalling Rs. 23,644 had been overpaid.

**4. 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
- (d.) Human Resources Management