

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 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 2 April 2014. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha Socialist Republic of Sri Lanka. on 21 July 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 Lunugamvehera Pradeshiya Sabha as at 31 December 2014 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 Accounting Deficiencies

Boundary Wall valued at Rs. 1,031,437 and the sum of Rs. 982,017 spent for fixing Stone Blocks in the Sabha Premises totalling Rs. 2,013,454, implemented under Programme for Strengthening Pradeshiya Sabha according to Budget Proposals for 2014 had not been capitalized.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2014 amounted to Rs. 770,772 as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs. 60,538.

2.2 Revenue Administration

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.) Lease Rent	3,054	2,387	62
(ii.) Other Revenue	16,088	11,355	556

2.2.2 Lease Rent

While the amount due to be recovered from 14 stalls belong to the Sabha as at the end of the year under review amounted to Rs. 62,040, action in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover those revenue in arrears.

3. Operating Review

3.1 Contract Administration

(a.) 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. However, action had not been taken accordingly, for 16 Works implemented having signed agreements by the Sabha after 02 July 2014 . Due to that, a sum of Rs. 79,974 had been overpaid.

- (b.) Payment Reports had been prepared stating that metal dust was spread to a thickness of 2 inches to the base of the road works, implemented under the Maga Neguma Rural Roads Development Programme. At the physical inspection carried out on 29 April 2015 in connection with 12 Works it was observed that metal dust had not been applied to the base to a thickness of 2 inches and a quantity less than that had been applied. Accordingly, it was observed that a totalled sum of Rs.217,287 had been overpaid based on wrong payment reports.
- (c.) Payment Reports had been prepared including that ABC Mixture to a thickness of 4 inches and metal dust to a thickness of 2 inches were spread to the base of the two road works, implemented under the Maga Neguma Rural Roads Development Programme and had been sent for reimbursement of a sum totalling to Rs. 286,388. Although according to the payment report, the total thickness of the ABC Mixture and layer of metal dust applied to the road should be about 6 inches, at the physical inspection carried out on 29 April 2015 it was observed that ABC Mixture and metal dust had not been applied to the base to a thickness of 6 inches and a quantity of ABC Mixture and metal dust less than that had been applied. Accordingly, it was observed that an extra sum totalling Rs.106,303 had been included in the payment report based on wrong payment reports.

4. 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.) Staff Loan Administration

