

Lunugala Pradeshiya Sabha

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Badulla District  
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1. Financial Statements

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1.1 Presentation of Financial Statements  
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Financial Statements for the year under review had been submitted to Audit on 24 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 27 September 2016.

1.2 Opinion

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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 Lunugala Pradeshiya Sabha as at 31 December 2015 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 Accounting Deficiencies  
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Following deficiencies are observed.

- (a) The value of the Photo Copying Machine amounting to Rs. 198,000 purchased during the year under review had not been accounted.
- (b) The value of the Cab Vehicle amounting to Rs. 3,232,281 received as a donation had been doubled in the accounts.
- (c) The value of 440 Galvanized Flag Posts amounting to Rs. 487,142 received as a donation had been accounted.
- (d) The value of Closing Stock at the end of the year under review had been understated in a sum of Rs. 81,325.
- (e) The value of Courts Fines Revenue for the year under review had been overstated in a sum of Rs. 140,595 in the accounts.
- (f) .The total of two current accounts and a savings account balances amounting to Rs. 1,836,638 as at 31 December of the year under review had not been accounted as assets.

(g) A sum of Rs. 275,000 paid to the Local Government Employees Pension Fund had been adjusted in the Suspense Account.

(h) Provision for Creditors had not been made in respect of 07 items of expenditure amounting to Rs 345,918 committed during the year under review.

#### 1.3.2 Non-reconciled Control Accounts

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The balances of 02 items of accounts shown in the financial statements and the balances according to schedules and control counts relevant to those did not reconciled in a sum of Rs. 270,214.

#### 1.3.3 Suspense Account

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According to financial statements presented, there was a credit balance of Rs. 614,437 in the Suspense Account as at 31 December of the year under review.

#### 1.3.4 Accounts Receivable and Payable

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According to financial statements presented by the Sabha, the value of Accounts Receivable balances as at 31 December of the year under review was Rs. 11,303,040, while the value of Accounts Payable balances as at that date had been Rs. 4,710,561.

#### 1.3.5 Lack of evidence for audit

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Four items of accounts valued at Rs. 5,317,618 could not be satisfactorily vouched in audit due to Non-submission of detailed schedules and Registers of revenue in Arrears.

#### 1.3.6 Non-compliance with laws, rules and regulations.

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Instances of non-compliances with laws, rules, regulations etc. observed in audit are shown below.

Reference to laws, rules, regulations etc.	Non-compliance
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(a) Pradeshiya Sabha Act No. 15 Of 1987

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(i) Section 132 (a) and (k)

Although it was required to obtain prior approval of the Minister in charge of the subject for incurring expenditure amounting to Rs. 98,359 in 8 instances, expenditure had been incurred without obtaining such approval.

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| (ii) Sections 158 and 159                                 | Course of action had not been taken to recover arrears of revenue amounting to Rs.1, 652,958 for the preceding year and Rs. 2,289,301 for the year under review. |
| (b) Financial Regulation 371 of the Republic of Sri Lanka | Advances amounting to Rs. 78,000 provided in 06 instances during the year under review had not been settled up to 30 September 2016.                             |

2. Financial Review

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2.1 Financial Results

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According to the Financial Statements for the year under review, excess of revenue over recurrent expenditure for the year ended 31 December 2015 amounted to Rs. 5,373,220, while the corresponding excess of revenue over recurrent expenditure according to financial statements as at 31 December for the preceding year had been Rs. 746,535.

2.2 Revenue Administration

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2.2.1 Performance in Revenue Collection

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Following matters are observed.

- (a) The progress of percentage in recovery of Revenue in arrears as at 01 January of the year under review had improved from 2.6 per cent to 76 per cent.
- (b) The percentage in recovery of Revenue in arrears as at 31 December of the year under review had been at a weak level from 30 per cent to 70 per cent.
- (c) A Lease Rent of Rs. 1,868,193 for the period from 2011 to 2015 for leasing out 08 properties belong to Sabha due as at 31 December 2015 had not been recovered.
- (d) Lease Rent of 21 stalls in Madolsima Town based on assessment made during the year 2005 was being recovered, without taking action as per Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government.
- (e) Acreage Tax amounting Rs. 57,995 relating to 15 properties that had been in arrears exceeding 04 quarters as at 31 December of the year under review had not been recovered in terms of Section 158(1)(a) and (b) of the Pradeshiya Sabha Act No. 15 1987.
- (f) Environmental Permits had not been issued to 11 business industries in the area of authority of the Sabha in terms of provisions in Acts No. 47 of 1980, No. 56 of 1988 Act No. 53 of 2000 and the Gazette Notification No. 1159/22 dated 22 November 2000.

### 3. Operating Review

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#### 3.1 Management Inefficiencies

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(a) While Sub-imprest Advances totaling Rs. 78,000 granted in 06 instances during the year 2015 had not been recorded in the Register, information relating to settlement were not furnished to audit.

(b) Action had not been taken for disposal of the Hand Tractor belongs to the Sabha.

(c) A credit balance of Rs. 1,072,369 had been continuously maintained from February 2013 to December 2015 in the current account. That money had been kept idle for 03 years in the current account without being utilized for any investment.

#### 3.2 Transactions of Contentious Nature

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Out of 440 Galvanize Flag Posts received to the Sabha, a shortage of 176 Flag Posts valued at Rs. 194,857 was observed at the physical inspection carried out on 18 August 2016.

### 4. Good Governance and Accountability

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#### 4.1 Budgetary Control

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When estimated revenue and expenditure are compared with actual revenue and expenditure for the year under review, material variances were observed and therefore the Budget had not been made use of as an effective tool of management for control.

#### 4.2 Annual Procurement Plan

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Although an Annual Procurement Plan should be prepared and used by all institutions according to clause 4.2 in Chapter 4 of the Government Procurement Guidelines 2006, the Sabha had not taken such action during the current year.

#### 4.3 Internal Audit

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An adequate internal audit had not been carried out for the year 2015.

#### 4.4 Implementation of Audit and Management Committees

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Audit and Management Committees had not been established during the year under review.

#### 4.5 Assets Management

##### ----- Idle and Under-utilized Assets -----

- (a) Out of 69 Roofing Sheets valued at Rs. 99,950 purchased on 09 September 2014, sixty sheets had been stored idle in the Sabha Ground.
- (b) A Water Tank of 1000 liters capacity valued at Rs. 11,500 purchased during the preceding year and 02 Water Tanks of 2000 liters capacity purchased for Rs. 47,000 had been kept idle without being used in the Sabha Ground even up to 16 August 2016.
- (c) Although Water Pipes and Equipment had been purchased for 04 Projects for Rs 992,200 out of the sum of Rs. 1,000,000 received from the Commissioner of Local Government during August 2104, those Projects had not been implemented even up to 18 August 2015. Due to that, those Water Pipes and Equipment had been kept idle in the Sabha Ground.

#### 5. Systems and Controls

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

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