

Angunakolapelessa Pradeshiya Sabha

Hambantota District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 13 May 2016 and the financial statements for the preceding year had been presented on 15 May 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 30 September 2016.

1.2 Opinion

In my opinion, except for the effects of the matters shown in paragraphs 1.3.2, 1.3.3 and 1.3.6 of this report, the financial statements give a true and fair view of the financial position of the Angunakolapelessa Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

The accounting policies adopted in the preparation of financial statements had not been disclosed.

1.3.2 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) The interest of Rs.1,485,994 payable to the Local Loans and Development Fund for the previous year and the year under review had not been accounted for.
- (b) The motor vehicle of the Sabha costing Rs.625,000 had been exchanged for the jeep costing Rs.100,000 of the office of the Chief Secretary, Southern Province. But, action had not been taken to make the necessary adjustments and settle the accounts.
- (c) The value of 3 lands and 18 crematoriums belonging to the Sabha had not been assessed and accounted for. Meanwhile, the expenditure totalling Rs.2,010,999 incurred on fixed assets during the year under review had not been capitalized.
- (d) Revenue aid, rent, licence fees and reimbursement of administrative expenses of the previous year totalling Rs.1,164,081 had been accounted for, as revenue of the year under review.

- (e) An expenditure totalling Rs.228,087 had been incurred during the year under review for insuring vehicles and cash-in-transit on behalf of the ensuing year. This had been accounted for, as expenditure of the year under review.

1.3.3 **Unreconciled Control Accounts**

Differences totalling Rs.3,488,847 had been observed between the balances of 09 items of accounts appearing in the financial statements and the related books and schedules.

1.3.4 **Accounts Receivable**

- (a) Action had not been taken even during the year under review to settle 29 unpaid balances totalling Rs.1,081,369 which continued to be brought forward in the financial statements.
- (b) Capital aid amounting to Rs.1,601,093 on behalf of jobs completed during the previous under the “Door to door, Village to village” Programme. and revenue due as hire charges of the motor grader amounting to Rs.161,483 remained recoverable as at end of the year under review

1.3.5 **Accounts Payable**

- (a) Action had not been taken even during the year under review to settle the Work Creditors balance of the previous year amounting to Rs.1,061,093 and the contributions payable to the Local Government Pensions Fund amounting to Rs.435,506 relating to the previous years.
- (b) Action had not been taken to pay 2 monthly instalments aggregating Rs.407,436 and Instalments amounting to Rs.2,444,618 of the year under review due to the Local Loans and Development Fund.

1.3.6 **Lack of Evidence for Audit**

Information such as the register of fixed assets prepared for the buildings totalling Rs.67,215,732, Confirmations of the Local Loans and Development Fund amounting to Rs.16,685,214, title deeds/ vesting orders relating to the value of 12 lands aggregating Rs.4,494,130, detailed schedules relating to retained deposits aggregating Rs.850,773, and the evidence confirming the legal fees paid aggregating Rs.133,000 had not been furnished. As such, these could not be satisfactorily examined in audit.

1.3.7 Non-compliance with Laws, Rules, Regulations etc.,

Instances of non-compliance with the following laws, rules and regulations were observed In audit.

Reference to Laws, Rules, Regulations etc.,

Non-compliance

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|---|--|
| (a) Decision of the Cabinet of Ministers No.15/Misc(051) dated 21 May 2015 Hambantota District Local Government | An expenditure of Rs.159,405 had been incurred from the funds of the Sabha on the sports festival, contravening the said decision of the Cabinet of Ministers. |
| (b) Financial Regulation of the Republic of Sri Lanka 571 (3) | Action had not been taken to settle 212 lapsed deposit balances totalling Rs.2,950,915. pertaining to the period 1993 to 2013 |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.2,907,705 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.1,533,118. Accordingly, an increase in financial results amounting to Rs.4,441,823 is shown in the financial results of the year under review.

2.2 Analytical Financial Review

The following observations are made.

- (a) The recurrent expenditure had increased twice the Self Generated Revenue of the Sabha during the previous year as well as the year under review.
- (b) The Sabha is unable to cover its recurrent expenditure, if not for the revenue aid it receives and it had been confirmed during the year under the review as well as the previous years.

2.3 Revenue Administration

2.3.1 Rates and Taxes

The Sabha has not taken action during the year under review as well to assess and recover the rates and taxes in terms of Section 134(1) of the Pradeshiya Sabha Act No.15 of 1987.

2.3.2 Lease Rent

Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act No.15 of 1987 to recover the sum of Rs.219,866 recoverable on behalf of buildings and machinery of the Sabha given on rent.

2.3.3 **Licence Fees**

The Sabha had not taken action in terms of Sections 149, 150, 151 and 152 of the Pradeshia Sabha Act No.15 of 1987 to recover licence fees as required. As a result, the balance of arrears as at end of the year under review amounted to Rs.253,730.

2.3.4 **Court Fines and Stamp Fees**

Court fines amounting to Rs.462,748 and stamp fees amounting to Rs.1,227,963 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2015.

3 . **Operating Review**

3.1 **Evaluation of Performance**

The amount provided in the budget for construction of roads within the authoritative division of the Sabha during the year under review amounted to Rs.2,100,000. But, the entire provision had been saved as at end of the year as the provision had not been utilized for the said purpose.

3.2 **Management Inefficiencies**

The sum of Rs.100,000 sponsored by the National Lotteries Board to obtain a mobile library bus had not been used for the said purpose. Instead, the amount had been spent to conduct a festival to evaluate the performance of employees.

3.3 **Contract Administration**

The following matters were observed at an inspection carried out with regard to fence the front portion of the office and to construct a vehicle park in the premises of the Sabha during the year under review.

- (a) According to paragraph 3.9.1 of the Government Procurement Procedure, construction work alone could be entrusted to voluntary organisations. However, contravening this, the special function of producing a white iron gate and to fence the top of the parapet wall had been carried out by incurring a total expenditure of Rs.1,068,772.
- (b) A specific amount should be retained from all payments made to a contractor, in terms of paragraph 5.4.6 of the Government Procurement Procedure. However, contravening this, the entire amount of Rs.1,600,000 and Rs.600,000 respectively had been paid for the above work.

3.4 **Transactions without Authority**

Expenditure incurred on the opening ceremony of Town Hall

Festival expenses cannot be paid from the amount meant for administrative expenses, in terms of paragraph 4:15 of the Pradeshiya Sabha Inter Rural Operating Handbook. However, an expenditure of Rs.347,000 had been incurred from the amount meant for administrative expenses for the opening ceremony of Town Hall during the year under review without obtaining proper authority.

3.5 **Staff Administration**

There were vacancies in 06 posts of 06 approved cadre and there were 10 excesses in 06 other posts. Action had not been taken, even by end of the year under review, to fill the vacancies and to regularize the excess cadre.

4. **Good Governance and Accountability**

4:1 **Budgetary Control**

The entire provision made for 24 items of expenditure amounting to Rs.53,866,000 had been saved and savings aggregating Rs.29,178,534 existed in 05 other items of expenditure where the expenditure incurred in excess of the budgeted limits of 03 other items of expenditure amounted Rs.2,781,456 whilst the targets of 02 revenue items had not been achieved Rs.25,874,241, in the budget for the year under review. As a result, the budget had not been utilized as an effective instrument of management control.

4:2 **Implementation of Audit and Management Committees**

Action had not been taken in terms of the Management Circular No.DMA/2009(1) dated 09 June 2009 to establish an Audit and Management Committee.

4:3 **Assets Management**

Idle Assets

The Rockie Jeep that could be repaired and made use of and a three wheeler remained idle since 2014 and a tractor purchased by spending Rs.52,400 in 2013 remained idle since the date of purchase.

4:4 **Unsettled Liabilities**

The unsettled liabilities of the Sabha as at end of the year under review aggregated Rs.4,617,459. Of these, liabilities amounting to Rs.2,040,099 related to previous years. However, action had not been taken to settle the liabilities concerned.

5. Systems and Controls

Special attention is needed in respect of the following areas of control_

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Contract Administration
- (e) Assets Management