

**Lunugamvehera Pradeshiya Sabha  
Hambantota District**

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**1 Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year under review had been presented to audit on 29 March 2016 and the financial statements for the preceding year had been presented on 30 March 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 15 July 2016.

**1.2 Opinion**

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In my opinion, except for the effects of the matters shown in paragraphs 1.3.1 and 1.3.2 of this report, the financial statements give a true and fair view of the financial position of the Lunugamvehera 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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The following accounting deficiencies are observed in audit.

- (a) The fixed assets purchased during the year under review aggregated Rs.265,674. The value of these had not been capitalized.
- (b) The value of two fixed assets aggregating Rs.116,715 had been entered twice in the accounts.
- (c) Audit fees payable as at 31 December 2015 had been overstated by Rs.110,741 in the accounts.

**1.3.2 Lack of Evidence for Audit**

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Confirmations and age analysis had not been furnished to audit with regard to balances of debtors and creditors aggregating Rs.7,201,255.

### **1.3.3 Non – Compliance with Laws, Rules, Regulations etc.**

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A sum of Rs.92,420 had been spent from the funds of the Sabha during the year under review on behalf of local government sports festival contravening the decision of the Cabinet of Ministers No.15/Miscellaneous (051) dated 21 May 2015.

## **2. Financial Review**

### **2.1 Financial Results**

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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.61,925 as against the excess of recurrent expenditure over revenue for the preceding year amounting to Rs.770,772. Accordingly, an improvement amounting to Rs.832,697 is shown in the financial results of the year under review.

### **2.2 Revenue Administration**

#### **2.2.1 Performance in collection of Revenue**

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The performance in collection of revenue as at 31 December 2015 appears below.

- (a) The total recurrent revenue billed for the year under review amounted to Rs.19,185,414. Of this, a sum of Rs.18,338,404 had been collected. Accordingly, the progress in collection of revenue was 95 percent.
- (b) The arrears of revenue as at commencement of the year under review amounted to Rs.616,203. Of this, a sum of Rs.604,203 had been collected. Accordingly, the progress in collection of arrears of revenue was 98 per cent.

#### **2.2.2 Rates and Taxes**

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Action had not been taken in terms of Section 134(1) of the Pradeshiya Sabha Act No.15 of 1987 to assess and recover rates and taxes.

#### **2.2.3 Lease Rent**

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The following matters are observed.

- (a) The key money recoverable on behalf of 2 stalls at the public market amounting to Rs.400,000 had not been recovered in terms of Paragraph 4 of the circular of the Commissioner of Local Government of the Southern Province No.දපසා/පසාකො/2010/01 dated 01 January 2011.

- (b) The monthly assessed rent of a stall at the public market is Rs.2,000. However, the old rate of Rs.800 per month continued to be recovered.

#### **2.2.4 Fees from Advertisement Boards**

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Fees for advertisement boards aggregating Rs.45,000 had not been recovered in terms of Section 126 (xxx) of the Pradeshiya Sabha Act No. 15 of 1987.

#### **2.2.5 Court fines and Stamp fees**

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Court fines amounting to Rs.207,509 and stamp fees amounting to Rs.627,500 were recoverable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2015.

### **3 Operating Review**

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#### **3.1 Evaluation of performance**

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A sum of Rs.27,275,000 had been provided to construct roads as per annual budget. But, the entire provision had been saved as the expected capital aid had not been received from the relevant institutions.

#### **3.2 Operating Inefficiencies**

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The following matters are observed.

- (a) The solid waste management project of the Sabha was not in operation even by 07 April 2016.
- (b) The concrete mixing machine received from the Ministry of Distress Management on 06 February 2012 remained without being used for any purpose from the date of receipt.
- (c) Action had not been taken even by end of the year under review, to acquire ownership of 05 lands including the land where the Sabha functions and 14 crematoriums.

#### **3.3 Contract Administration**

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A sum of Rs.41,013 had been overpaid as a result of paying the retention money twice with regard to the second stage of developing the Abehypura Centre Road by laying concrete stones.

## **4 Good Governance and Accountability**

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### **4.1 Budgetary Control**

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The entire budgeted provision of 23 expenditure items aggregating Rs.1,005,000 and 07 other expenditure items aggregating Rs.36,215,251 had been saved while the revenue of 05 revenue items aggregating Rs.36,956,464 had not been achieved showing that the budget had not been used as an affective instrument of management control.

### **4.2 Internal Audit**

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An officer had not been appointed for audit activities in terms of the circular of the Commissioner of Local Government, Southern Province No.දපභ/යභ/01/න.ව.ලේ dated 24 February 2014.

### **4.3 Audit and Management Committees**

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An Audit and Management Committee had not been established in terms of the Management Audit circular No.DMA/2009 (i) dated 09 June 2009.

## **5. Systems and Controls**

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Special attention is needed with regard to the following Areas of systems and controls.

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