

Lunugamvehera 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 30 March 2017 and the financial statements for the preceding year had been presented on 29 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 26 September 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraphs 1.3 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 2016 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

The following accounting deficiencies are observed in audit.

- (a) Provision for debtors and creditors had not been made for the agreed amount of Rs.520,640 on 28 December 2016 for the development of Beraligala Janasavigama Road under the criteria based development grant.
- (b) Cost of a laptop computer and 07 book shelves purchased during the year amounting to Rs.146,030 had not been capitalized and Library books received as grant had been under capitalized by Rs.31,418.
- (c) Provision had not been made for the balance of Rs.293,563 which was paid for the construction work in 2012 and provision had been made for the balance of Rs.27,706 which was received and paid for the construction work in 2015.

1.3.2 Accounts receivables

Following matters are observed.

- (a) Action had not been taken to recovery the long outstading license fees amounting to Rs.82,200.
- (b) Action had not been made to reimburse the amount of Rs.21,238 for the election duty done by employees of sabha on presidential election in 2015 until 31 July 2017.
- (c) Action had not been taken to recovery the receivable balance of Rs.8,400 which was for the construction of Road under the provincial specific development grant – 2012

- (d) Action had not been taken to recovery until 31 July 2017 the receivable amount of Rs.6,500 due from commissioner of local government as cost of living of November and December 2009.
- (e) Action had not been taken to settle the long outstanding cash in hand balance of Rs.1,358 and arrears other income of Rs.2,327 even as at the end of the year.

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

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

<u>Reference to Laws, Rules, Regulations etc.,</u>	<u>Non-compliance</u>
(a) Section 134(1) of pradeshiya sabha Act no 15 of 1987	Action had not been taken to assess and charge the rates and taxes.
(b) Pradeshiya sabha regulation (Finance and administration) of 1988	
(i) Regulation 185	Action had not been made to invest excess monthly general cash balance of Rs.2,718,475 in industry account of sabha.
(ii) Regulation 193	Action had not been taken to submit a statement which describe the excesses and shortages in each Revenue and expenditure items comparing budgeted financial provision with supplementary.
(c) Financial Regulations of the Democratic Society republic of Sri Lanka	
Regulation 571 (3)	Action had not been taken regarding amounting to Rs.23,000 for the period of 2005 and periods from 2008 to 2014
(d) Public Administration Circular No 41/90 of 10 October 1990	Action had not been taken to inspect the combustion of petrol in 10 vehicles during the year under review.
(e) Letter of the Director of public finance No. PFD/RED/2015/08 General (i) of 09 October 2015	
Paragraph 4.3 (a) and (e)	Action had not been taken to recovery the loan balance totaling Rs.8,741 recoverable from 3 employees who had transferred from the services of the sabha.

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 2016 amounted to Rs.1,017,675 as compared with the excess of recurrent expenditure over revenue for the preceding year amounting to Rs.61,925. Accordingly, an improvement amounting to Rs.955,751 is shown in the financial results of the year under review.

2.2 Analytical Financial Review

The following matters are observed

- (a) Finance management of sabha had not been show favorable image since the recurrent expenditure is 95 percent from entire recurrent revenue for the year under review.
- (b) Except revenue aid obtained by Sabha,,the Sabha is unable to meet the recurrent expenditure in whatever manner from the revenue and recurrent expenditure had rapidly increased. Over the self-generated income and it had increased thrice the self-generated revenue of the sabha for the year under review. It is observed that no proper procedure had been prepared and implemented in this regard.

2.3 Working Capital Management

Current ratio for the year under review was 1:1.27 and it is shown a decline as compared with that of the previous year.

2.4 Revenue Administration

2.4.1 Performance in collection of Revenue

The performance in collection of revenue as at 31 December 2016 appears below.

- (a) The total recurrent revenue billed for the year under review amounted to Rs.50.85 million Of this, a sum of Rs.41.43 million had been collected. Accordingly, the progress in collection of revenue was 77 percent.
- (b) The arrears of revenue as at commencement of the year under review amounted to Rs.8.96 million Of this, a sum of Rs.8.38 million had been collected. Accordingly, the progress in collection of arrears of revenue was 94 per cent.

2.4.2 Lease Rent

The rent due from 19 stalls as at 31 December 2016 amounted to Rs.64,810 and late fees of Rs.6,400. But, action had not been taken to recover the said balance of arrears in forms of section 159(1) of the pradeshiya sabha Act No 15 of 1987.

2.4.3 Court fines and Stamp fees

Court fines amounting to Rs.251,845 and stamp fees amounting to Rs.865,000 were recoverable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016.

3 Operating Review

3.1 Management inefficiencies

3.1.1 Maintenance of street light

The following observations are observed.

- (a) It was unable to verify the no of street Lights maintained by sabha due to unavailability of register for maintenance of street Light
- (b) Action had not been taken to reimburse the expenses by legalized through applying to Ceylon Electricity Board in terms of provisions of the circular No PE/01/01 of Ministry of Power and Energy dated 17 August 2010 for the street Lights installed in the domain of pradeshiya sabha.

3.1.2 Staff administration

It was observed that there were 9 vacancies in 6 posts and 03 excesses in 03 posts of the approved cadre of the sabha. Action had not been taken, even by end of the year under review, to fill the vacancies or to regularize the excesses.

3.2 Asset Management

The following matters are observed.

(a) Idle Asset

The concrete mixture machine which was received from the ministry of disaster management on 06 February 2012 had been idle since the date of received.

(b) Assets not acquired

(1) Sabha had not been acquired the position of 12 vehicles as at 30 July 2017 which received from various government institutions from 1993 to 2017.

(11) value of 14 cemetrries owened by the Sabha had not been assessed and accounted.

3.3 Solid Waste Management

Action had not been taken to obtain environmental license as at 31 July 2017, even though the solid waste management project had been maintained.

4 Good Governance and Accountability

4.1 Budgetary Control

The entire budgeted provision of 24 expenditure items aggregating Rs.817,815 had been saved while some of the adverse variations of 05 revenue items aggregating Rs.21,883,022 and it's in between the range of 24 to 59 percent as such the budget had not been used as an affective instrument of management control.

5. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Staff Administration
- (d) Budgetary Control