

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 31 March 2017 and the financial statements for the preceding year had been presented on 13 May 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 31 August 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 Angunakolapelessa Pradeshiya Sabha as at 31 December 2016 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 Deficiencies

The following accounting deficiencies are observed.

- (a) The accrued rent income and the expenditure on the construction of roads from the Sabha fund had been brought to account less than a sum of Rs.266,380.
- (b) Balances of three categories of inventories as at the end of the year under review had been understated by Rs.98,818.
- (c) Interest income from fixed deposits and value of machinery for the year under review had been overstated by Rs.87,454 and 3,848 respectively.
- (d) Amount of Rs.222,259 charge for Nopay had not been accounted.

1.3.2 Unreconciled Control Accounts

Differences totaling Rs.59,060 had been observed between the balances of 02 items of accounts appearing in the financial statements and the related books and schedules.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

- (i) Action had not been taken even during the year under review to settle 28 unpaid balances totalling Rs.1,049,368 which continued to be brought forward in the financial statements.
- (ii) Action had not been taken even during the year under review recovery the unsettled balance totaling Rs.10,240 which continued to be brought forward in the financial statements.

- (iii) Action had not been taken to recover the receivable balance of Rs.3,149,934 which was related to the implementation of capital program of infrastructure development of specific provinces and local government institutions.

(b) Accounts Payable

- (i) The Nation Building Tax amounting to Rs.516,079 retained from the year 2013 had not been remitted to the Commissioner of Inland Revenue.
- (ii) Action had not been taken to settle the balances for the year 2015 and 2016 amounting to Rs.12,300 and Rs.14,400 respectively for the year under review due to commissioner of Inland revenue.
- (iii) Action had not been taken to settle the balances aggregating Rs.3,149,934 for the year under review due to the infrastructure development program for industry and local government institutions under the provinces specific and development aid.
- (iv) The interest amounting to Rs.728,243 payable for the year 2015 to the National Loan and Development fund and the loan amounting to Rs.697,784 and the interest amounting to Rs.1,175,159 payable to the 2016 and the loan amounting to Rs.1,269,459 had not been paid even by the end of the year under review.
- (v) Action had not been taken to settle the unsettled balances aggregated Rs.11,054,878 as at 31 December 2016. From that balance of Rs.773,148 is related to the previous years.

1.3.4 Lack of Evidence for Audit

Information such as the register of fixed assets prepared for the land and buildings and common equipment totaling Rs.95,009,946 detailed schedules relating to 05 retained deposits aggregating Rs.7,094,309 had not been furnished. As such, these could not be satisfactorily examined in audit.

1.3.5 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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| <p>(a) Pradeshiya Sabha regulations (Finance and Administration) of 1988 ;
Regulation 193</p> | <p>A statement explaining matters either surpluses or deficits under each item and object by comparing the budgeted financial provisions and the Supplementary Standards.</p> |
| <p>(b) Financial Regulation of Republic of Sri Lanka</p> <p>(i) Financial regulation 371(2),(5)</p> | <p>Action had not been taken to settle the advance balance of Rs.7,795 as at the end of the year under review.</p> |

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| (ii) Financial regulation (396)(d) | Action had not been taken in terms of the referred Regulation relating to 08 cheques totaling Rs.13,377 which had lapsed over 06 months after being issued. |
| (iii) Financial Regulation 571 | Action had not been taken to settle the balances of 181 outdated cheques aggregating Rs.1,586,690. |
| (c) Ministry of power and energy circular No.PE/01/01 dated 17 August 2010 | It is observed that the Sabha had maintained 2,070 street lights but the action had not been taken to reimburse the charges relating to 1,720 street lights. |
| (d) Section 07 of Chief Secretary of Southern province circular No.03/2014 dated 15 October 2014. | It has not been maintained the list of industries for the year under review. |
| (e) Chief Secretary of Southern province circular No.01/2014 dated 24 February 2014. | Action had not been taken to charge bonds from 12 employees. |
| (f) Section 4.3 (a) and 4.3 (e) of the letter of the Director of public finance No.PED/RED/2015/08; General (i) of 09 October 2015. | Action had not been taken to recover the loan balances amounting to Rs.141,016 recoverable from officers transferred from the year 2013 to the year under review who had been working in the Sabha. |

2. **Financial Review**

2.1 **Financial Results**

The following observations are made.

- (a) 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.5,331,307 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.2,907,705. Accordingly, an increase in financial results amounting to Rs.2,423,602 is shown in the financial results of the year under review.
- (b) When compared with the recurrent income and expenses for the year under review in accordance with programmes, expenses of 04 programmes from 05 programmes had exceeded its income by Rs.1,067,888.

2.2 **Analytical Financial Review**

The following observations are made.

- (a) The total recurrent expenditure for the year under review had exceeded the total recurrent revenue by 87 percent .So that it is shown that the finance management is not in favourable condition.
- (b) As previous years,the recurrent expenditure of Sabha had been increased continuously and recurrent expenditure had been exceeded the self-generated income by significant amount, furthermore it is fully covered by revenue aid received by Sabha. Attention had not been paid to control the expenditure and maintain it in a minimum level.

2.3 **Revenue Administration**

2.3.1 **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.16.6 Million of this; sum of Rs.13.2 Million had been collected. Accordingly, the progress in collection of revenue was 80 percent.
- (b) The arrears of revenue as at commencement of the year under review amounted to Rs.2.2 Million Of this, a sum of Rs.0.8 Million had been collected. Accordingly, the progress in collection of arrears of revenue was 36 percent.

2.3.3 **Rates and Taxes**

It had been failed to impose and recover rates and taxes in compliance with Section 134 of the Pradeshiya Sabha Act NO.15 of 1987 even by 30 June 2017.

2.3.3 **Lease Rent**

Even though lease rent should be revised by assessing at least five years in compliance with paragraph 06 of the Circular No.අපසා/පපාකො/2010/10/01 of 27 December 2010 based by the Commissioner of Local Government, action had not been taken accordingly. Ten stalls in Angunakolapelleessa had not been assessed and 04 stalls in Debokkawa had been assessed last time on 20 March 2007.

2.3.4 **Licence Fees**

The following matters are observed.

- (a) Action had not been taken to do a board of survey in terms regulation 59 of Pradeshiya Sabha (Finance and administration) of 1988.
- (b)The opening outstanding balance had been a sum of Rs.95,065 and billings amounting to Rs.928,786 remained payable with a sum of Rs.1,023,851.A sum of Rs.89,940 remained outstanding as at the end of the year on the total recoveries in the year under review being a sum of Rs.933,911.It had been taken a law value or 05 percent of the opening outstanding balance.

2.3.5 **Other income**

Action had not been taken to recover the income receivable from the employment of machinery and equipment amounting to Rs.542,046 for the year under review, which includes Rs.268,046 of arrears balances coming from 2013 to 2015.

2.3.6 **Court Fines and Stamp Fees**

Court fines amounting to Rs.1,134,071 and stamp fees amounting to Rs.70,720 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016.

3. **Operating Review**

3.1 **Vehicle control**

The following matters are observed.

(a) It had not been reported to the relevant authorities in terms of financial regulations 103(a) and (b) of the financial regulations of Sri Lanka relating to the accident occurred on 22 December 2016 to the Dump Truck of the Sabha and an inquiry had not been carried out relating to the accident in terms of the financial regulation 104(i).

(b) **Vehicle insurance**

Vehicle insurance of Rs.272,090 for 6 vehicles of Sabha had been obtained through an insurance agent without obtaining it directly according to the public finance circular No:04/2015 dated 14 July 2015.

3.2 **Idle and Underutilized Assets**

The following matters are observed.

(a) Action had not been taken to repair and use or to dispose of inactivated 4 vehicles.

(b) The construction activities of the proposed Crematorium had been completed on 14 July 2016 and a sum of Rs.4,868,324 had been paid thereto, to the construction company. However, it indicated that the building remained idle even by 30 June 2017 on not installing tools necessary for the Crematorium.

(c) The interconnected boulders machine of Sabha had been not in use during the year 2016 and no action had been taken to even rent or lease it to the external party.

(d) Tube well equipment of Rs.57,293 had been not in use for a long period and no action had been taken to use it for a beneficial work or dispose.

3.3 **Solid Waste management**

Sabha had not prepared the annual action plan for solid waste management and disposal service of waste had not been maintained to cover the entire domain. It is not imposed waste tax to cover expenses of waste management.

3.4 **Staff Administration**

The following matters are observed.

- (a) There were vacancies in 06 posts of 06 approved cadre and there were 6 excesses in 5 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.
- (b) Action had not been taken in terms of the Establishment Code against a revenue inspector for not reporting to the duty without informing from 11 May to 18 August 2016 and obtaining leave from the above first date to 16 January 2017, salaries and allowances amounted to Rs.94,082 had been paid to that officer for 03 months. That sum of money had not been recovered as at 30 June 2017.

4. **Good Governance and Accountability**

Budgetary Control

The entire provision made for 36 items of expenditure amounting to Rs.2,626,000 had been saved and savings aggregating Rs.8,251,943 existed in 55 other items of expenditure whilst sum of the adverse variations of 03 revenue items aggregating Rs.3,702,107 in the budget for the year under review. As a result, the budget had not been utilized as an effective instrument of management control.

5. **Systems and Controls**

Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Budgetary Control
- (e) Maintaining books and records