

Lunugamvehera Pradeshiya Sabha

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted to Audit on 28 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman on 31 August 2018.

1.2 Qualified Opinion

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 Lunugamvehera Pradeshiya Sabha as at 31 December 2017 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

Following accounting deficiencies were observed.

- (a) Expenditure incurred amounting to Rs. 1,526,607 for construction of Solid Waste Management Project, Computer Machines valued at Rs. 303,580 received as donations and Office Equipment purchased amounting to Rs. 81,315 had not been capitalized.
- (b) The Staff Loan of Rs. 39,966 outstanding from an employee who had been in service of the Sabha had been omitted in the financial statements.
- (c) The value of stationary stock at the end of the year under review had been understated in a sum of Rs.31,191.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

Action had not been taken recover License Fees arrears amounting to 82,200 which had been outstanding over a long period and to get the reimbursement of

Rs. 21,238 paid on account of election duties during the year 2015, from the Commissioner of Elections.

(b) Accounts Payable

Action had not been taken during the year under review too, to settle the sum of Rs. 283,221 being the total amount payable for 03 works fulfilled during the preceding year and the sum of Rs. 53,888 being staff security payable to three employees who are not in service of the Sabha.

1.3.3 Lack of Evidence or Audit

machinery and equipment rental revenue amounting Rs.1,260,719 could not be satisfactorily voucher in audit due to non – submission of machinery and equipment rental revenue Regis

1.3.4 Non – compliance with laws rules, regulations and management decision

Instances of non – compliance with laws, rules, regulations and management decision are shown below

Reference to laws, rules, regulations and Management decisions	Value Rs.	Non-compliance
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(a) Stamp Fees (Special) Provisions Act No12 of 2006 and Extra Ordinary Gazette Notification No.1530/13 dated 01 January 2008.		Although stamp fees of R. 25 should be recovered on the basis of payments exceeding Rs. 25,000, stamp fees had not been recovered when making Salary payments to officers of the Sabha.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka i. Regulation No. 103(1)(b) and No. 104(1)	37,300	Although a lorry browser belong to the Sabha had met with an accident on 14 August 2017 and repairs had been carried out, action had not been in that connection.

ii. Regulation No. 104(4) 204,695 Although a cab vehicle belong to the Sabha had met with an accident on 15 December 2017, a Comprehensive Report had not been furnished Social list Republic of Sri Lanka

(c) Public Administration Circular no. 30/2016 Dated 29 December 2016 Fuel consumption of eight vehicles belong to the Sabha had not been tested.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs. 676,811 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 1,017,676.

2.2 Revenue Administrations.

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under and preceding year, as furnished are shown below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i Rates and Taxes	332,500	327,985	320,958	7,000	251,500	318,290	318,290	-
ii Rent	2,876,600	3,353,360	3,233,935	123,425	2,776,600	2,113,057	2,122,847	64,810
iii License Fees	339,900	763,230	733,880	24,000	296,500	553,945	548,595	5,350
iv Other Revenue	4,652,200	2,639,815	3,163,325	593,335	3,134,600	2,853,677	1,736,832	1,116,845
Total	8,201,200	7,084,390	7,452,098	747,760	6,459,200	5,838,969	4,726,564	1,187,005

2.2.2. Performance in Revenue Collection

While Revenue Billed during the year under review had been Rs.. 7,084,390 out of that a sum of Rs.7,452,098 had been collected. there was a balance of Rs. 747,760 as arrears of revenue at the end of the year.

2.2.3 Rates and Taxes

Action had not been taken during the year under review too, to recover Rates in terms of Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.4 Lease Rent

Following matters were observed.

- (a) Out of arrears of stalls rent amounting to Rs. 113,300 outstanding to be recovered at the end of the year under review, a further sum of Rs. 71,500 was outstanding to be recovered as at 11 June 2017.
- (b) Although monthly rents had been in arrears continuously, action in terms of Section 159(1) of the Pradeshiya Sabha Act No.15 of 1987 and according to conditions in the agreements had not been taken to recover those arrears.
- (c) Although the monthly rent of a stall in the Lunugamvehera, New Town according to the valuation report dated 21 September 2015 in force for ensuing two years was Rs.2,000, rent had been recovered at the rate of Rs. 1,000. Due to that, a revenue of Rs. 300,000 had been lost for the year under review.

2.2.5 License Fees

Action in terms of Section 150(2) of the Pradeshiya Sabha Act No. 15 f 1987 had not been taken to recover charges from the professionals practicing in the area of authority of the Sabha.

2,2,6 Court Fines and Stamp Fees

Stamp Fees Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017 was Rs. 230,000.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort convenience and welfare of the people and amenities by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabha Act No. 15 of 1987 are shown below.

(a) Works not performed

Out of 50 development projects, scheduled to be full filled and included in the budget for the year 2017, only 10 development projects had been fulfilled during the year under review.

(b) Sustainable Development Targets

Long term plans for up-lifting living condition and health of the people in the area of authority of the Sabha through global index agenda 2030, targeting sustainable development objectives, had not been prepared by the Sabha.

3.2 Management Inefficiencies

A survey had not been carried out to identify the street lamps maintained by the Sabha. Although, a sum of Rs. 209,255 had been spent for maintenance of street lamps, action had not been taken to get the street lamps maintenance expenditure reimbursed in terms of provisions in Circular No. PE/01/01 dated 17 August 2010 of the Ministry of Power and Energy

3.3 Human Resources Management

Following observations are made.

- (a) Necessary course of action had not been taken to fill 11 vacancies in 07 posts of approved cadre of the Sabha as at 31 December of the year under review.
- (b) Although 08 posts of Development Officers had been approved for the Sabha, only two Development Officers had been engaged during the past period of more than four years. Inspire of the problems faced in fulfillment of daily activities of the Sabha under this situation, solutions had not been given to for this problem even as at 23 February 2018.

3.4 Assets Management

3.4.1 Assets not vested

Following matters were observed.

- (a) Council had not taken action even up to 23 March 2018, to vest the legal ownership of 09 Buildings, 24 Community Halls, 07 Lands 21 Burial Grounds and 08 vehicles used by the Sabha.
- (b) At the physical inspection carried out it was observed that an authorized cultivation was being carried out by an outside party in Ranasinghepura Herbal Garden handed over to the Pradeshiya Sabha by the Lunugamvehera Divisional Secretary and that a cadjan covering had been made around the land to block access to the land.

- (b) Taking necessary course of action to identify specifically the lands and buildings used by the Sabha and those transferred to the Sabha by various parties and action for security of those had not been taken over a long period of time. Attention of the Sabha is needed to introduce a proper scheme in this regard.

3.4.2 Idle Assets

Mahendra Cab Vehicle belongs to the Sabha since the year 2014 and two garbage carts for more than a year had remained idle.

3.4.3 Non-implementation of Fixed Assets Survey Recommendations

Recommendation with regard to development of Weeravila Fair Land, opening weekly fair after preparation of the site and other matters included in the Fixed Assets Survey for the year 2016 had not been implemented even as at 23 March 2018.

4. Accountability and Good Governance

4.1 Budgetary Control

Material variances were observed between the budget for the year under review and the actual revenue and expenditure as shown below. Accordingly it was observed that the budget had not been made use of as an effective tool of management.

- (a) While the total adverse variances of 05 items of revenue amounted to Rs. 14,176,857, that value was in a range from 03 percent to 57 percent.
- (b) While the total savings of 05 items of expenditure amounted to Rs. 7,460,237, that value was in a range from 12 percent to 62 percent.

4.2. Audit and Management Committees

Although 04 meetings of Audit and Management Committees should be conducted in terms of Management Audit Circular No. DMA/2009(1) dated 09 June 2009, only 2 meetings had been conducted for the year under review.

5. Systems and Control

Deficiencies observed in audit were brought to the attention of the Council from time to time. Special attention should be made in respect of following areas of systems and controls.

Deficiency -----	System -----
(a) Accounting	<ul style="list-style-type: none"> I. Instances of omissions, understatements and over statements of account balances. II. Instances of non-capitalization of Fixed Assets.
(b) Revenue Administration	<ul style="list-style-type: none"> I. Failure to asses and recover rates II. Non-identification of new revenue generating sources
(c) Staff Management	Failure to fill vacancies in the staff.
(d) Assets Management	<ul style="list-style-type: none"> I. Failure to take action to ensure security of assets vested in the Sabha. II. Existence of two idle vehicles III. Failure to vest ownership of eight vehicles
(e) Budgetary Control	<ul style="list-style-type: none"> I. Non-utilization of entire provisions under certain items of expenditure. II. Material variances between the budget and the actual revenue and expenditure. III. Failure to reach budgeted targets.