

Angunakolapelassa 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 29 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman on 23 July 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 Angunakolapelassa Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed in audit.

- (a) Creditors provision amounting to Rs. 580,000 had been made for 04 works not performed during the year under review, overstating capital expenditure and creditors to that extent.
- (b) Garbage Transport Trailer valued at Rs. 283,500 purchased during the year 2009 and Computers valued at Rs. 204,640 received as donations during the year under review had not been capitalized.
- (c) Courts Fines Revenue for the year under review and Courts Fines Revenue Receivable at the end of the year had been understated in a sum of Rs. 105, 618 in the accounts.
- (d) Values of Library Books amounting to Rs. 63,710 purchased and accounted during the preceding year had been accounted again during the year under review. Due to that, value of stock of books had been doubled.
- (e) The value of 5 water tanks with 2000 liters capacity received during the year under review had not been assessed and accounted.

1.3.2 Non-reconciled Accounts

Total of disparities observed between balances in 06 items of accounts included in the financial statements and balances shown in the relevant subsidiary books and schedules was Rs. 2,112,552.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

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- I. Action had not been taken during the year under review as well, to recover Motor Grader Revenue in arrears amounting to Rs. 1,523,158, thirty nine un-settled advance balances amounting to Rs. 1,081,509 and revenue balances in arrears amounting to Rs.10, 240 which is being brought forward in the financial statements during number of years.
 - II. While capital grants balance receivable by end of the year under review for implementation of various programs had been Rs. 17,769,483, out of that a sum of Rs. 504,898 was for the year 2016.

(b) Accounts Payable

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- I. Action had not been taken even up to the end of the year under review to pay the Nation Building Tax amounting to Rs. 516,079 payable to the Commissioner General of Inland Revenue since the year 2013 and a sum of Rs. 35,208 payable to the Land Registry.

 - II. While the Sundry Creditors balance as at the date of ending of the year under review was Rs. 19,965,127, out of that a sum of 1,070,139 was relevant to the preceding year.

1.3.4 Lack of necessary written Evidence for Audit

Eight items of accounts totaling Rs. 122,081,612 and one transaction amounting to Rs. 1,692,250 could not be satisfactorily vouched in audit due to non-submission of required information.

1.3.5 Non-compliance with Laws Rules, Regulations and Management Decisions.

Instances of non-compliance with laws, rules, regulations an management decisions are shown below.

Reference to laws, rules, regulations and Management decisions	Non-compliance
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(a) 1988 Pradeshiya Sabha (Financial and Administrative) Rules

i. Rule 193

A Statement explaining reasons for surpluses or excesses under each item of revenue and each item of expenditure having compared with the budgeted provisions and supplement votes, had not been

- submitted with the financial statements.
- ii. Rule 217 Action had not been taken to update the register according to Form P.S. 46 by including information with regard to all land and buildings vested and used by the Sabha.
- (b) Financial Regulations of the Sri Lanka Democratic Socialist Republic.
- i. Financial Regulation. 110 A Register of Losses and Damages had not been maintained.
- ii. Financial. Regulation. 371(5) Although an advance granted should be settled immediately after completion of the relevant work, advances amounting to Rs. 871,261 granted by the Sabha in 40 instances had not been settled even as as at 24 January 2018.
- iii. Financial. Regulation. 396(d) Action had not been taken with regard to 06 months time elapsed, 26 cheques amounting to Rs. 108,984 not presented for Payment.
- iv. Financial. Regulation. 571 Action had not been taken with regard to 205 Sundry Deposit balances amounting to Rs.1,570,517 which had elapsed a period of more than 02 years from the date of deposit and 14 balances of Retention Deposits amounting to Rs. 132,349.
- (e) Ministry of Power and Energy Circular No PE/01/01 dated 17 August 2010 Although 2070 street lamps had been maintained by the Sabha for the year under review, charges had not been taken to inform the Electricity Board in that connection. Due to that, charges had been reimbursed only for 350 street lamps.
- (d) Circular No. 01/2014 dated 24 February 2014 of the Southern Province Chief Secretary Securities had not been obtained from the Sabha.

1.3.6 Transactions without Authority

While excess expenditure amounting to Rs. . 7,384,420 had been incurred under 04 items of expenditure exxceediing the provision of Rs. 19,571,000 made available through the budget for the year under review, action in terms of 1988 Pradeshiya Sabha (Financial and Administrative) Rules 14 (1) and 14 (2) had not been taken to cover the excess expenditure

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 2,703,288 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 5,331,307.

2.2 Reevenue Administration

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

Information relating to estimated revenue, reevenue billed, revenue collected and arrears of revenuee for the year under review, as furnis given 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	310,000	362,595	283,645	262,361	270,000	365,230	279,405	229,861
(ii) Rent	12,063,500	13,180,863	11,946,674	1,563,323	12,166,000	11,896,325	11,347,979	845,906
(iii) License Fees	1,021,500	809,104	796,604	97,965	1,080,400	928,786	928,786	89,940
(iv) Other Revenue	3,566,800	3,903,933	1,403,307	3,975,566	2,514,600	3,454,636	692,226	3,680,820
Total	16,961,800	18,256,495	14,430,230	5,899,215	16,031,000	16,644,977	13,248,396	4,846,527

2.2.2 Performance in Revenue Collection

While total Revenue Billed during the year under review had been Rs. 18,256,495, out of that a sum of Rs. 14,430,230 had been collected. Total arrears amounting to Rs.4,846,527 as at the end of the preceding year had been increased to Rs. 5,899,215 at the end of the year under review.

2.2.3 Rates

Action had not been taken in terms of Section 134 of the Pradeshiya Sabha Act No. 15 of 1987 impose and recover rates even up to 31 December 2018.

2.2.4 Rent

In terms of paragraph 06 of the Circular No. SLG/CLG/2010/01 dated 27 December 2010 of the Southern Province Commissioner of Local Government, stalls rent should be assessed and rent should be revised once in 05 years. However, 10 stalls at Angunakolapelassa had not been revised accordingly, while last assessment of four stalls at Debokkawa had been made during the year 2007..

2.2.5 License Fees

Following matters were observed.

- (a) In terms of section 152 (2) of the Pradeshiya Sabha Act No. 15 of 1987, license fees should be imposed and recovered in respect of various professions. However, action had not been taken to recover license fees from professions such as lawyers, medical, notary and registrars practicing in the area of authority of the Sabha.
- (b) In terms of section 149, 150 and 152, of the Pradeshiya Sabha Act No. 15 of 1987, licence fees had not been recovered Due to that, a sum of Rs. 84,225 was outstanding to be recovered as at 31 December 2017.
- (c) Establishments such as rice mills, grinding mills which are required to obtain Environmental Protection Licenses in terms of National Environmental Act No. 47 of 1980 as amended by Act No. 53 of 2000 and Act No. 56 of 1988 and regulations imposed under those had been carrying on business activities without obtaining Environmental Protection Licenses.
- (d) Although certain business entities carry on business in the area of authority of the Sabha had obtained Environmental Protection Licenses, they had not obtained trade licenses.

2.3.6 Business Tax

While Business Tax outstanding to be recovered at the end of the year under review had been Rs 238,385, action had not been taken to recover that sum in arrears in terms of Section 152 (4) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.7 Court Fines and Stamp Fees

Court Fines amounting to Rs. 3,191,424 and Stamp Fees amounting to Rs. 1,097,113 had been outstanding from the Southern Provincial Council and other authorities. as at 31 December 2017.

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

Four capital programs for which provision had been made in the annual budget under Sabha Funds had not been implemented.

(b) Delays in fulfilling works

Although a sum of Rs.10, 280,986 had been spent as at 31 December 2017 for the construction of proposed crematorium building, that work had not been completed.

3.2 Sustainable Development Targets

Long term plans for elevation of 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.

3.3 Management Inefficiencies

3.3.1 Election Allowances not reimbursed

A sum of Rs.47,555 outstanding to be reimbursed from the Commissioner of Elections for the Local Government Election duties 2011 had not been reimbursed even as at 24 January 2018.

3.3.2 Human Resources Management

Action had not been taken even as at the end of the year under review to fill vacancies for 09 employees of 08 posts in the approved cadre of the Sabha.

3.4. Assets Management

3.4.1 Assets not vested

- (a) Action had not been taken even up to 24 January 2018, to vest the legal ownership of 34 lands costing Rs. 9,831,130 and 26 buildings costing Rs. 7, 074, 583 utilized by the Pradeshiya Sabha.
- (b) According to the assets survey carried out in 2016, 42 lands had been newly identified. Action had not been taken even up to 24 January 2018 to vest those lands in favor of the Sabha and to assess the values.

3.4.2 Idle and Under-utilized Assets

Following matters were observed.

- (a) Inter Connecting Block Stones Processing Machine had not been used for making block stones or to derive an income by providing it to an outside party since the year 2016.
- (b) A Bajaj Three Wheeled Vehicle belong to the Sabha had been parked in the Sabha Park without being used for running since 2016.
- (c) A balance of Rs. 274,306 in a savings account maintained in the Peoples' Bank had been kept idle since the year 2015.

3.4.3 Annual Board of Survey

Three recommendations made in the Board of Survey Report for the year 2016 had not been implemented even up to 24 January 2018.

3.4.4 Vehicles Utilization

Following matters were observed.

- (a) Action had not been taken to vest the legal ownership in the Sabha with regard to four vehicles costing Rs. 7,219,000 .
- (b) Revenue licences for the year under review had not been obtained for 11 vehicles belong to the Sabha.
- (c) Fuel consumption of vehicles should be tested in compliance with the Public Administration Circular No.30 /2016 dated 29 December 2016.. However, fuel consumption of 09 vehicles belong to the Sabha had not been tested even as at 24 January 2018.
- (d) Although a cab vehicle had run 49,930 kilo meters having used fuel costing Rs. 533,471 during the year under review, there were numbers of instances not showing the nature of duty and time specifically There were instances of recording unusual distances in the running charts as well.

3.5 Uneconomic Transactions

While an estimate for Rs. 606,855 had been obtained for the construction of a tube well for water supply project to Solid Waste Management Centre under the Southern Province

Development Plan – 2017, tube well had been constructed in the land of the town hall in Angunakolapellesa city as there was no adequate underground water in the land of the Solid Waste Management Centre. Project proposal had been made without carrying out a proper feasibility study. It was observed that an additional cost have to be incurred for supplying water to the Solid Waste Management Centre situated in Yakagala area about 3 kilometers away .

4. Accountability and Good Governance

4.1 Budgetary Control

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

- (a) Entire provision totaling Rs. 19,297,500 made available through the budget under 24 items of expenditure had not been spent.
- (b) While savings amounting to Rs. 7,601,420 out of provision made available under 04 items of expenditure were observed, it was in a range from 08 percent to 59 percent.
- (c) While total of adverse variances of 03 items of revenue amounted to Rs. 9,990,784, those values were in a range from 20 percent to 30 percent.

4.2. Audit and Management Committees

Although a minimum of 04 meetings of the Audit and Management Committees should be conducted annually as per Management Audit Circular No. DMA/2009 (1) dated 09 June 2009, only 02 committee meeting had been conducted by the Sabha for the year under review.

5. Systems and Control

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

System	Deficiency
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(a) Accounting	<ul style="list-style-type: none"> I. Existence of omissions of account balances as well as overstatement and understatement of values in accounting. II. Existence of differences between the values shown in the financial statements and those shown in the relevant subsidiary registers.

- (b) Revenue Administration
 - I. Failure to assess and recover rates.
 - II. Non-identification of new revenue sources .
 - III. Lack of attention to identify new sources of income.
 - IV. Non-recovery of arrears of motor grader revenue.

- (c) Assets Management
 - I. Non-implementation of recommendations made in Board of Survey Reports.
 - II. Non-repairing vehicles that could be repaired and used.
 - III. Failure to vest ownership of vehicles.

- (d) Budgetary Control
 - I. Preparation of estimates without carrying out a proper study and evaluation.
 - II. Non-revision of the budget having considered budgeted and actual positions.