

Lunugamvehera Pradeshiya Sabha

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 28 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 29 May 2019 and 07 June 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The sum of Rs.221,400 paid for obtaining various annual licences at the garbage management centre from 2014 to 2018 had been capitalized as assets.	Should be correctly brought to account.	Action will be taken to rectify in future.
(ii) The expenditure of Rs.374,525 incurred on construction of the Solid Waste Material Management building during the year under review had been capitalized.	All fixed assets should be brought to account.	Action will be taken to capitalize.
(iii) The cost of vehicle park constructed in 2016 amounting	All fixed assets should be brought to account.	Action will be taken to capitalize.

to Rs.906,005 had not been capitalized.

- | | | | |
|------|--|---|--|
| (iv) | The water motor amounting to Rs.63,000 received as donation from the Disaster Management Centre during the year under review had not been capitalized. | All fixed assets should be brought to account. | Action will be taken to capitalize. |
| (v) | The value of JCB machine of the Pradeshiya Sabha had not been capitalized. | All fixed assets should be brought to account. | Value will be assessed and capitalized. |
| (vi) | The revenue from stamp fees for the year under review had been of understated in the accounts by Rs.374,000. | Revenue of the year should be correctly brought to account. | The schedule of stamp fees revenue for the second quarter of 2018 had been received on 30.04.2019. As such, not entered in the accounts. |

(b) Lack of Necessary Documentary Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Two items of accounts aggregating Rs.6,908,020 could not be satisfactorily vouched in audit due to non rendition of necessary information.	Register of fixed assets should be updated and maintained.	Action will be taken to prepare a register of fixed assets.

1.4 Non compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----	Recommendation -----	Comments of the Accounting Officer -----
(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules ----- Rule 193	Items of Revenue and Expenditure had not been reconciled with the budget and a statement showing surpluses and excess furnished.	Action should be taken in accordance with the rules	Items of revenue and expenditure should be reconciled and a statement furnished.
(b) Treasury Circular No IAI/2002/02 of 28 November 2002.	A register of fixed assets had not been maintained for computer accessories and softwares.	Action should be taken according to the circular.	Action will be taken to prepare a proper register of fixed assets.

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 2018 amounted to Rs.542,256 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.676,811.

2.2 Revenue Administration

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

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	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.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	351,000	407,739	412,239	2,500	332,500	327,985	320,958	7,000
Rent	4,332,000	3,137,025	3,139,550	120,900	2,876,600	3,353,360	3,233,935	123,425
Licence Fees	505,100	1,596,200	1,565,000	55,200	339,900	763,230	733,880	24,000
Other Revenue	2,424,000	1,763,183	1,348,596	1,007,922	4,652,200	2,639,815	3,163,325	593,335
Total	7,612,100	6,904,147	6,465,385	1,186,522	8,201,200	7,084,390	7,452,098	747,760

2.2.2 Performance in collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The overall revenue to be collected during the year under review amounted to Rs.7,651, 907. But, the revenue collected amounted to Rs.6,465,385 showing a progress in collection of revenue of 84 per cent.	----- Arrears of revenue should be recovered.	----- Audit paragraph accepted.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Action had not been taken even during the year under review to recover rates and taxes for improved areas in terms of Section 134(1) of the Pradeshiya Sabha Act.	----- Action should be taken to recover rates and taxes.	----- A schedule of Grama Niladhari Areas had been prepared and furnished to the Minister in charge of the subject for approval.

2.2.4 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Action had not been taken to recover the stall rent of Rs.120,900 receivable for the year under review.	----- Arrears of stall rent should be recovered.	----- A sum of Rs.68,900 had been recovered and the stall holders had been requested to pay the balance. The Sabha had decided on 24 May 2019 to acquire the stalls of those stall holders if payments are not made.

2.2.5 Licence Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Action had not been taken to recover the licence fees of Rs.55,200 due for the year under review.	----- Action should be taken to recover arrears of licence fees.	----- A sum of Rs.11,800 had been recovered. The respective institutions had been made aware of to pay the notice board fee of Rs.40,000, out of the balance to be recovered. The revenue inspector had been instructed to recover Rs.3,400.

2.2.6 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Court fines of Rs.605,422 and stamp fees of Rs.402,500 respectively were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018.	----- Arrears of court fines and stamp fees should be recovered.	----- Court Fines of Rs.405,422 had been received. Schedule for stamp fees had not been received.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Bye-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Bye-laws had to be enacted to fulfil 30 main functions in terms of Section 126 of the Pradeshiya Sabha Act. But, enactments had not been	----- Bye-laws should be enacted.	----- Matters for bye-laws had been restricted to 28.

made for 02 functions even by 31 December 2018.

(b) Sustainable Development Targets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Sabha had not prepared a long term plan to uplift the living standards and health of the public of the authoritative area of the Sabha by the global indicators referred to in the 2030 Agenda of the sustainable development relating to sustainable development objectives and targets.	Indicators to measure sustainable development objectives and targets should be identified and the progress achieved should be measured accordingly.	Action will be taken to prepare long term plans. The Sabha faces problems as it earns low revenue.

3.2 Human Resources Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Action had not taken even by end of the year under review to fill 13 vacancies in the cadre and to regularize01 excess.	Excess and vacancies in the cadre should be regularized and filled respectively.	A report in terms of F.R.71 had been furnished for approval of the excess employee. Development Officers are covering up duties of the technical officer and the revenue inspector. Applications had been called for 05 posts in primary level .

3.3 Operating Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) A survey of advertisement boards exhibited in the authoritative area of the Sabha had not been carried out.	Survey of advertisement boards should be done.	Action will be taken to carry out a survey.

- | | | |
|--|---|---|
| <p>(b) Tax had not been recovered from 02 medical centres of the authoritative area of the Sabha in terms of Section 152(2) of the Pradeshiya Sabha Act.</p> | <p>Fes should be recovered according to the Pradeshiya Sabha Act.</p> | <p>The relevant institutions had been informed by letters. Legal action will taken in future.</p> |
|--|---|---|

3.4 Assets Management

3.4.1 Assets not Acquired

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>The ownership of 07 lands, 20 crematoriums, 24 community centres, 10 buildings and 04 vehicles of the Sabha had not been acquired</p>	<p>The Sabha should acquire ownership assets.</p>	<p>Informed in writing to the Land Commissioner and the Divisional Secretary for acquirement of ownership.</p>

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) Adverse variances in 04 items of revenue aggregated Rs.10,480,658 ranging from 28 to 69 per cent.</p>	<p>Feasible estimates should be prepared.</p>	<p>The financial position of the Sabha is low. As such, the budget had been prepared on the basis of funds needed from the Central Government or Provincial Council. Savings in expenditure heads are due to non-receipt of funds.</p>
<p>(b) Savings in seven items of expenditure aggregatedRs.9,468,961, ranging from 31 to 100 per cent.</p>	<p>Feasible estimates should be prepared.</p>	<p>Savings in expenditure heads are due to non-receipts of funds.</p>