

Angunakolapelessa 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 29 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 11 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 Angunakolapelessa 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
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(i) The value of fixed assets as at 31 December of the year under review had been overstated in the accounts by Rs.34,792.	Correct value should be brought to account.	Action will be taken to rectify in future.
(ii) Security deposits relating to lease of Debokkawa Public Fair and recovery of fees from tourists vehicles had been overstated in the accounts by Rs.258,501.	Correct value should be brought to account.	Security deposits had been erroneously recovered in excess.
(iii) Seven buildings of the Pradeshiya Sabha costing Rs.775,000 had not been capitalized during the year under review.	All fixed assets should be brought to account.	Action will be taken to rectify in future.

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| (iv) | Two lands valued at Rs.40,000, not belonging to the Pradeshiya Sabha had been brought to account as assets. | Assets of the Sabha should be correctly identified and brought to account. | Action will be taken to remove from assets in the ensuing year. |
| (v) | Reimbursement of expenditure on fuel amounting to Rs.703,285 was due from the Angunakopelessa Divisional Secretariat during the year under review. This had not been brought to account. | Should be correctly brought to account. | Debtors value had not been brought to account due to an oversight. Action will be taken to rectify in future. |
| (vi) | The sum of Rs.37.305 spent on erecting safety fence at the main roundabout of the town during the year under review had not been capitalized. | All fixed assets should be correctly brought to account. | Action will be taken to capitalize in the ensuing year. |

(b) Unreconciled Accounts

Audit Observation

Recommendation

Comments of the Accounting Officer

Differences amounting to Rs.65,068 were observed between the balance of court fines of Rs.2,122,414 included in the financial statements and the balance appearing in the relevant subsidiary register.

Action should be taken to reconcile the differences in the related balances and make rectifications.

Action will be taken to rectify in future on receipt of the monthly schedule of court fines.

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation

Recommendation

Comments of the Accounting Officer

Eleven items of accounts aggregating Rs.128,677,111 could not be satisfactorily vouched in audit due to non rendition of necessary information.

Evidence to confirm the balances of accounts shown in the financial statements should be furnished.

Action will be taken in future to update and furnish the relevant schedule.

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) Section 134(1) of the Pradeshiya Sabha Act No.15 of 1987	The Sabha's attention has not been drawn towards assessment and recovery of rates and taxes.	Should act according to the Act.	The details of list of rates and taxes of properties is being revised at present. It will be completed soon and sent to the Department of Valuation.
(b) 1988 Pradeshiya Sabha(Finance and Administration) Rules Rule 02	Action had not been taken to recover the penalties of Rs.35,670 paid for obtaining revenue licences of vehicles from the officers responsible.	Action should be taken according to the rule.	Penalties had been paid and revenue licences had been obtained on a decision made at the general council meeting.
(c) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 371	Ad hoc imprests should be settled immediately after the related work is over. However, such action had not been taken with regard to Rs.264,935 granted from 2008 to 2013.	Action should be taken according to the Financial Regulation.	Necessary action will be taken to settle in future.

Financial Regulation 571	Action had not been taken with regard to miscellaneous deposits of Rs.1,595,163 exceeding 02 years and the 10 per cent retention.	Action should be taken according to the Financial Regulation.	Action will be taken soon to credit to revenue the balances of deposits exceeding 02 years.
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(d) Paragraph 3.1 of the Public Administration circular No.30/2016 of 29 December 2016.	Consumption of fuel by 04 vehicles of the Sabha had not been tested.	Action should be taken according to the circular.	Fuel tests will be carried out in future.
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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.2,046,597 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.2,703,288.

2.2 Financial Control

Audit Observation

Recommendation

Comments of the Accounting Officer

The difference between the cash book balance and the balance sheet balance pertaining to the bank reconciliation statement of the General Account as at 31 December of the year under review amounted to Rs.12,000.

The relevant difference should be identified and rectified.

Action will be taken to rectify in future.

2.3 Revenue Administration

2.3.1 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	485,000	614,030	583,960	168,266	310,000	362,595	330,095	262,361
Rent	12,488,800	12,082,712	11,915,273	715,195	12,063,500	13,180,863	12,463,446	1,563,323
Licence Fees	1,075,300	1,282,652	1,280,652	45,000	1,021,500	809,104	801,079	97,965
Other Revenue	4,829,800	5,149,232	1,611,043	6,634,930	7,086,800	4,064,878	3,729,895	4,069,451
Total	18,878,900	19,128,626	15,390,932	7,563,391	20,481,800	18,417,440	17,324,515	5,993,100

2.3.2 Performance in collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The overall revenue to be collected during the year under review amounted Rs.25,121,217 and the revenue collected during the year amounted to Rs.15,390,932. The progress in collection of revenue was 61 per cent.</p>	<p>-----</p> <p>Arrears of revenue should be recovered.</p>	<p>-----</p> <p>Court fines and stamp fees amounting to Rs.4,900,000 had not been received at the Sabha. Action will be taken to obtain the arrears.</p>

2.3.3 Trade Tax

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Trade tax recoverable from 84 trade units as at end of the year under review amounted to Rs.166,380. Action had not been taken in terms of Section 152(4) of the Pradeshiya Sabha Act to recover the arrears concerned.</p>	<p>-----</p> <p>Arrears of revenue should be recovered.</p>	<p>-----</p> <p>Action is being taken regarding balances identified to be written off and action will be taken to recover the balance in future.</p>

2.3.4 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Court fines of Rs.2,122,414 and stamp fees of Rs.4,468,847 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018.</p>	<p>-----</p> <p>Arrears of court fines and stamp fees should be recovered soon.</p>	<p>-----</p> <p>Necessary action had been taken to recover court fines and stamp fees receivable as at 31 December 2018.</p>

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.,

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 achievement of annual target should be measured.	The Sabha is not in possession of a long term plan for direct fulfilment of the target. However, many performances executed by the Sabha had indirectly helped to achieve these sustainable development targets.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Out of the 25 development proposals expected to be executed from the funds of the Sabha as per budget of	Attention should be paid to execute development proposals included in the budget.	With the arrival of new people's representatives in April 2018, action had been taken to implement development proposals necessitated by those representatives.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Sabha had not taken action to fill 09 vacancies of employees.	Action should be taken to fill vacancies in the cadre.	A retired lady officer had been appointed on contract basis till such time a permanent officer is appointed to the post of Secretary. Gazette notification had been issued for recruitment of the crematorium operator, assistant to the crematorium operator and 02 posts of sanitary labourers. Interviews had been held subsequently and the decision taken had been referred to the Assistant Commissioner of Local Government for approval. Requests had been made for filling the remaining vacancies.
(b) Action had not been taken to settle the employees' security deposit of Rs.14,698 of an officer who had vacated the Sabha during the year under review.	The balance of security deposit should be settled soon.	Action will be taken to expedite settlement of the balance of employees' security deposit of Rs.14,698.

3.5 Assets Management

3.5.1 Assets not Acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken to acquire legal ownership of 20 lands amounting to Rs.7,826,130 and 12 buildings amounting to Rs.1,935,000 used by the Sabha.	The Sabha should acquire ownership of assets.	Relevant action is being taken to acquire land and buildings.
(b) Action had not been taken even during the year under review to acquire 25 lands used by the Sabha without assessing the value.	The Sabha should acquire ownership of assets.	Action is being taken to acquire land and assess the value.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Provision exceeding Rs.10,000 aggregating Rs.7,496,500 allocated for 14 objects in the annual budget had not been spent during the year under review.	Feasible estimates should be prepared.	Special attention will be paid in future regarding matters pointed out with reference to budgetary control.
(b) Adverse variances in three items of revenue aggregating Rs.28,399,537, ranged from 33 to 35 per cent.	Feasible estimates should be prepared.	Special attention will be paid in future regarding matters pointed out with reference to budgetary control.
(c) The adverse variances in four items of expenditure aggregated Rs.1,707,606, ranging from 21 to 41 per cent.	Feasible estimates should be prepared.	Special attention will be paid in future regarding matters pointed out with reference to budgetary control.
(d) Savings in 04 items of expenditure aggregated Rs.27,491,403, ranging from 35 to 70 per cent.	Feasible estimates should be prepared.	Special attention will be paid in future regarding matters pointed out with reference to budgetary control.