

Lunugamvehera Pradeshiya Sabha
Hambantota District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

The financial statements for the year 2019 had been presented for audit on 28 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 10 June 2020 and June 2020 respectively.

1.2 **Qualified Opinion**

In my opinion, except for the effects of the matters shown in this report, the financial statements of the Lunugamvehera Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3.1 **Basis for qualified opinion**

(a) **Accounting Deficiencies**

The following accounting deficiencies were observed.

	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(i)	An understatement/overstatement of Rs.7,247,622 was observed between the opening balance of the year under review and the closing balance of the previous year with regard to 04 accounts.	Opening balance should be correctly brought to account.	Action will be taken to rectify in future.
(ii)	The key money of Rs.770,000 receivable on behalf of 04 stalls given on lease during the previous years had not been brought to account.	The key money should be correctly brought to account.	The collection of this arrears will be intensified and reported.
(iii)	Other debtors of Rs.530,471 as at end of the year under review had not been brought to account.	Debtors should be correctly brought to account.	Action will be taken to rectify in future.
(iv)	Employees' Security Deposits had been overstated in the accounts by Rs.196,192 as at end of the year under review.	Employees' Security deposits should be correctly brought to account.	Action will be taken to rectify in future.
(v)	The stamp fees revenue of the year under review had been overstated in the accounts by Rs.71,718.	Stamp fees should be correctly brought to account.	Action will be taken to rectify in future.

(b) **Lack of necessary Documentary Evidence for Audit**

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Information needed for audit of 02 items of accounts aggregating Rs.6,998,021 had not been furnished.	Evidence to confirm the balances of accounts shown in the financial statements should be furnished.	The registers had not been correctly updated, classified and correct entries had not been made in registers. Had been rectified to a certain extent by the board of survey 2019. Will be properly maintained from 2020.

1.4 **Non-Compliance**

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

<u>Reference to Laws, Rules, Regulations And Management Decisions</u>	<u>Non-compliance</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
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(a) 1988 Pradeshiya Sabha
(Financial and
Administration Rules

(1) Rule 193	A statement showing reasons for surpluses and deficits relating to items of revenue and expenditure had not been furnished along with the budget.	Should act taken according to the Rules.	Action will be taken to furnish statement of surpluses and deficits in the ensuing year.
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(b) Financial
Regulations of
The Democratic
Socialist Republic
of Sri Lanka

(1) F.R 571	Action had not been taken to settle deposits of Rs.401,825 over 02 years.	Action should be taken according to the financial regulation.	Action will be taken to credit to revenue the deposits over 02 years and to release the deposits not exceeding 02 years.
(11) F.R 1645 (a) and 1646(c)	Daily Running Charts and monthly performance summaries Of 10 vehicles had	Action should be taken in terms of the financial regulation. I	The delay in furnishing running charts was due to vacancies in the staff. Action will be taken in future to prevent such

not been
furnished to the
Auditor General.

shortcomings.

- (c) Public Administration Circular No.02/2018 dated 24 January 2018. An Annual Human resources plan in respect of entire staff and the human resource plan had not been prepared. Action should be taken in terms of the circular. Although an attempt was made to prepare human Resource plan, Staff did not have a clear understanding or knowledge and up to now no training or clear instructions had been received regarding this matter.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the revenue in excess of the recurrent expenditure of the Sabha for the year ended 31 December 2019 amounted to Rs.542,256 as compared with the revenue in excess of the recurrent expenditure of the previous 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	2019				2018			
	Estimated Revenue	Revenue Billed	Revenue Collected	Revenue Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Revenue Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and taxes	330,000	309,920	311,720	1,300	351,000	407,739	412,239	2,500
Rent	3,885,500	3,287,184	3,070,984	229,100	4,332,000	3,137,025	3,139,550	120,900
Licences Fees	575,100	769,260	531,760	2,100	505,100	1,596,200	1,565,000	55,200
Other Revenue	3,254,850	3,081,530	3,229,942	2,509,298	2,424,000	1,763,183	1,348,596	1,007,922
Total	8,045,450	7,447,894	7,144,406	2,741,798	7,612,100	6,904,147	6,465,385	1,886,522

2.2.2 **Rates and Taxes**

Audit Observation

Action had not been taken to assess and recover rates in areas which had been identified as improved as required by Section 134(1) of the Pradeshiya Sabha Act No.15 of 1987.

Recommendation

Action should be taken to assess and recover rates and taxes as per Act.

Comments of the Accounting Officer

Action will be intensified to prepare the list of properties and refer it to the Chief Valuer.

2.2.3 **Rent**

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) Action had not been taken to recover the rent of stalls and penalties amounting to Rs.229,100 and Rs.22,910 respectively receivable from 28 stalls as at end of the year under review.	Action should be taken to recover arrears of revenue from rent of stalls.	Action will be taken to act according to the Pradeshiya Sabha Act and to take further action by informing the General Council.
(b) Action had not been taken in terms of Section 142(5) of the Pradeshiya Act to recover rent of stalls on the basis of new assessments obtained]from the Department of Valuation after protests made regarding rent of stalls.	Action should be taken according to the rule,	The General Council had unanimously decided to implement the new assessment from 01 September 2019. As such, action will be taken to recover rent as decided.
(c) The stall rent of Lunugamvehera New town had been assessed at Rs.2,000 each on 21 September 2015. However, a monthly rental of Rs.1,000 had been recovered as rent of stalls up to August of the year under review on the consent of the Chief Minister.	Action should be taken to recover the assessed rent.	The Chief Minister had approved recovery of monthly rental of Rs.1,000 from 2015 to 2018 similar recovery at the rate of Rs..1,000 had been made even up to August of the year under review.

2.2.4 **Licence Fees**

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
A survey of trade centres of the authoritative area of the Sabha which should obtain trade licences had not been carried out during the year under review. Trade licence fees had been recovered on the basis of survey made in 2017.	A survey should be carried out to identify trade centres and arrears of revenue should be recovered.	There was no revenue inspectors during the past and the year under review. Survey had been made for 2020 and trade licence fees will be recovered accordingly.

2.2.5 **Court Fines and Stamp Fees**

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
The Court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December of	Action should be taken to recover arrears of arrears of court fines and stamp fees.	Out of the arrears of stamp fees, a sum of Rs.619,500 had been received. Meanwhile, the arrears of court fines had been totally

the year under review amounted to Rs.102,507 and Rs.643,000 respectively. Further, the balances of arrears of stamp fees receivable included a balance of Rs.458,500 relating to 1 to 3 years.

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 highways, healthy environment of the public, facilities, welfare etc.

(a) **Bye-Laws**

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Although by-laws should have been enacted for 30 important matters as per section 126 of the Pradeshiyan Sabha Act, bye-laws had been enacted for 28 matters only even by end of the year under review	Action should be taken to enact bye-laws.	Bye-laws had been adopted for 28 matters.

(b) **Sustainable Development Targets**

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
The Sabha had not prepared a long term plan to uplift the living standard and health of the public of the authoritative area of the Sabha through the global index pertaining to the objectives and targets of the sustainable development referred to in the 2030 agenda for sustainable development.	An index should be identified for measuring the objectives and targets of sustainable development of annual progress should be measured accordingly.	The Sabha had identified 05 matters relating to the scope of sustainable Development objectives. Identification of those indices and the method of measuring the targets had been prepared and furnished in the budget for 2020.

3.2 **Management Inefficiencies**

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) A survey of advertisement boards within the authoritative area of the Sabha had not been carried out during the year under review.	Annual survey of advertisement boards should be carried out.	Survey could not be carried out due to lack of a revenue Inspector. Survey had been made for 2020.

Fees had been levied on the basis of survey made in 2017.

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| (b) Action had not been taken to recover fees from those who work as doctors, notaries and Registrars within the authoritative area of the Sabha as required by Section 152(2) of the Pradeshiya Sabha Act. | Action should be taken to collect revenue receivable as per Act. | A survey of professionals had not been done due to lack of a revenue inspector. Action will be taken to rectify this in 2020. |
| (c) A survey of industries within the Authoritative area of the Sabha In order to recover industrial tax had not been made for the year under review in terms of Section 150 of the Pradeshiya Sabha Act. Tax had not been recovered from new industries as the tax recovered had been based on the survey made In 2017. | Action should be taken to collect revenue receivable as per Act. | There was no revenue inspector during the past and the year under review. As such, the recovery had been made on the basis survey made in 2017. A survey of industries is being made for 2020. |
| (d) According to the regulation specified In the National Environmental Act No.47 of 1980 published in the Gazette Extraordinary dated 24 June 1993 16 trade establishments had not obtained the report on effect on environment and trade licences had not been obtained for the year under review. Further, the Sabha had not Instigated 24 trade establishments to obtain trade licences although they have obtained the report on effect of environment. | Action should be taken as per provision in the Act. | These shortcomings were due to a new lady officer and lack of knowledge of the officers of the Sabha in this regard. Action will be taken to stop occurrence of such shortcomings during the year. |

3.3 **Human Resources Management**

(a) **Vacancies in the Cadre**

Audit Observation

Action had not been taken to regularize 08 vacancies and 04 to excesses in the approved cadre.

Recommendation

Action should be taken regularize the excess cadre and to fill the vacancies.

Comments of the Accounting Officer

Four vacancies had been filled and approval had been sought to fill another vacancy. Action Is being taken to regularize the excess cadre. Approval had been

granted in terms of Circular No. 25/2014 with regard to 04 posts personally applicable to them.

(b) **Employees' Loans**

Audit Observation

Action had not been taken to recover from the pension/ sureties the sum of Rs.75,416 due from 04 officers who had vacated/retired from service as at end of the year under review.

Recommendation

Action should be taken to recover the arrears of employees' loans.

Comments of the Accounting Officer

Out of the balances of loans recoverable, a sum of Rs,10,000 had been recovered. Action will be taken to write off Rs.36,966 and to recover the remaining balances from the pensions of 2 officers.

3.4 **Operating Inefficiencies**

Audit Observation

Although a provision of Rs.22,000,000 had been made for 22 development proposals as per budget of the year under review, those development proposals had not been executed.

Recommendation

The budgeted development proposals should be executed.

Comments of the Accounting Officer

Provision had not been obtained from the Central Government and the Provincial Council in order to execute the projects. These projects could not be executed as the revenue earned is not adequate for expenditure of development activities.

3.5 **Assets Management**

3.5.1 **Assets not acquired**

Audit Observation

The ownership of 07 lands, 20 crematoriums, 24 community centres, 10 buildings and 04 vehicles used by Sabha had not been acquired during the year under review.

Recommendation

Action should be taken by the Sabha to acquire legal ownership of assets.

Comments of the Accounting Officer

Requests had been made to the Land Commissioner to acquire land and buildings. It has been agreed to survey 04 crematoriums free of charge, due to lack of financial strength to survey. Action will be taken to survey the remaining lands by paying concessionary rates. Action had been taken to acquire 02 vehicles and leasing facilities had been obtained for one vehicle.

3.5.2 **Idle Assets**

Audit Observation

The Beralihela week end Fair constructed by the Urban Development Authority remained idle even by 22 January 2020.

Recommendation

Action should be taken to utilize assets of the Sabha.

Comments of the Accounting Officer

Electricity, water and security fence are not available in the weekend fair and the ground has not been properly prepared. Action will be taken to open the fair after fulfilling all shortcomings.

3.5.3 **Annual Board of Survey**

3.5.1 **Procurement Plan**

. Audit Observation

(a) Action had not been taken to modernize the Weerawila week end fair and to conduct the fair as recommended by the board of survey, 2017.

Recommendation

Recommendations of the board of survey of fixed assets should be implemented.

Comments of the Accounting Officer

Facilities for water and electricity were not available. The Sabha had approved to obtain those facilities so as to modernize and maintain the fair. A sum of Rs.20 Lakhs had been provided In 2020 for development of the fair. The estimate had already been approved.

(b) Thirty two units of 07 varieties of goods had been auctioned on the recommendation of the previous year's board of survey. This had not been entered in the register of fixed assets.

Action should be taken to update the register.

Work relating to maintenance of Inventory and register of fixed assets had been assigned to 03 officers. As such, the work had not been properly done. At present the work had been assigned to one officer so as to regularize the work.