

Lunugamvehera Pradeshiya Sabha

Hambantota District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 10 May 2012 and the financial statements for the preceding year had been presented on 06 July 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 31 July 2012

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me. I am of opinion that the Lunugamvehera Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in the report forwarded to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Lunugamvehera Pradeshiya Sabha as at 31 December 2011 and the financial results of its operation and cash flows for the year then ended.

1:3 Comments on Financial Statements

1:3:1 Lack of Evidence for Audit

Transactions totalling Rs.1,579,353 could not be satisfactorily vouched in audit due to non-rendition of necessary information to audit.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2011 was Rs.390,127 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.353,384.

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information relating to the estimated revenue, actual revenue and arrears of revenue for the year under review as presented by the Chairman, appear below.

	Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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		Rs'000	Rs'000	Rs'000
i.	Rates and Taxes	167	2	--
ii.	Lease Rent	480	1,250	10
iii.	Licence Fees	474	506	--
iv.	Other Revenue	7,442	6,718	276

2:3 Operating Inefficiencies

Action had not been taken to recover Nation Building Tax based on the sources of revenue collected by the Sabha as per letter of the Commissioner General of Inland Revenue dated 20 August 2009.

2:4 Management Inefficiencies

- (a) A balance of Rs.1,085,150 was observed in a savings account of the Sabha as at 31 December 2011 where there were no withdrawals from the year 2008. Attention had not been paid to invest that amount in a fixed deposit in order to obtain more income from interest.
- (b) The Sabha had not prepared a Corporate Plan and an Action Plan.

2:5 Contract Administration

Out of the 44 schemes for which provision had been made in 2011 under the Maga Neguma Development Programme, 11 schemes alone had been completed as at 21 November 2011. It was observed that necessary action had not been taken to implement the balance 33 schemes in collaboration with the community organizations established in the area. Accordingly, the commencement of work relating to 33 schemes for which provision had been made in 2011 had been delayed.

2:6 Internal Audit

Adequate internal audit had not been carried out at the institution.

03. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management