

Lahugala Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 20 May 2015 while the Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 20 August 2015.

1.2 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 Lahugala Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies are observed.

- (a) Although the Salaries and Allowances expenditure for the year under review according to the ledger had been Rs.7,569,525, according to the financial statements, it had been Rs.7,653,825. Due to that, expenditure for the year under review had been overstated in sum of Rs.84,300.
- (b) Although the Travelling expenditure for the year under review according to the ledger had been Rs.93,692, it had been shown as Rs.95,612 in the Revenue and Expenditure Account overstating in a sum of Rs.1,920.
- (c) Although the Supplies and Equipment expenditure for the year under review according to the ledger had been Rs.572,442, it had been taken to the Revenue and Expenditure Account as Rs.569,416. Due to that, expenditure for the year under review had been overstated in sum of Rs.3,026.

1.3.2 Lack of Evidence for Audit

Transactions relevant to 7 items of accounts totalling Rs.52,142,151 could not be satisfactorily vouched in audit due non-submission of required information to audit.

1.3.3 Non-compliance with Laws, Rules and Regulations etc.

Following non-compliances with Laws, Rules and Regulations were observed.

Reference to Laws, Rules and Regulations Etc.,	Non-compliance
(a) Pradeshiya Sabha Act No. 15 of 1987 ----- Section 150 (4)	Action had not been taken to recover License Fees.
(b) Pradeshiya Sabha (Financial and Administrative) Rules ----- (i) Rules 59 – 66	Action had not been taken to conduct a survey in order to identify the Institutions liable to pay Industrial Tax and recover those taxes.
(ii) Rule 218	A survey had not been carried out with regard to Land and Buildings valued at Rs.50,764,825 belong to the Sabha.
(c) Financial Regulations of Republic of Sri Lanka ----- Regulation 571	Action in terms of Financial Regulation had not been taken with regard to Lapsed Deposits outstanding for more than 03 years totalling Rs. 118,301.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2014 amounted to Rs.1,037,910 as against the excess of revenue over recurrent expenditure for the preceding year amounted to Rs.1,142,861. Accordingly a decline of R. 2,180,771 was observed in the financial results.

2.2 Analytical Financial Review

A review of financial results for the year under review and the preceding year is given below.

- (a) When recurrent revenue for the year under review is analyzed with that for the preceding year, sources from Rent, License Fees and Fees for Services, indicate a decrease in a range from 27 per cent to 95 per cent while sources from Other Revenue and Grants indicate an increase in a range from 13 per cent to 5 per cent.
- (b) When recurrent expenditure for the year under review is compared with that for the preceding year, Salaries and Allowance, Travelling Expenditure, Transport, Communication, Utility and Other Services expenditure indicate an increase in a range from 9 per cent to 159 per cent while Capital Assets Maintenance and Grants and Subsidies Expenditure indicate a decrease in a range from 17 to 74 per cent.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information as furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review are shown below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31.12.2014
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	Rs.000	Rs. 000	Rs.000
Lease Rent	350	61	200
License Fees	205	114	26
Warrant Charges and Fines	3,001	203	--
Other Revenue	320	225	--

2.3.2 Trade License Fees

In spite of existing an outstanding balance of Rs.26,983 as License Fees since a number of years ago, necessary action had not been taken to recover that money or to take legal action.

2.3.3 Other Revenue

Adequate course of action had not been taken to sanction necessary by-laws in order to collect revenue from communication towers and publicity advertisements. Due to that, approximate revenue of Rs.7,500 receivable to the Sabha had been lost.

2.3.4 Court Fines and Stamp Fees

- (a) Court Fines Receivable from the Chief Secretary to the Eastern Provincial Council as at 31 December 2014 had not been identified and recovered.
- (b) Stamp Fees Receivable from the Registrar General as at 31 December 2014 had not been identified and recovered

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) While 1537 books in the libraries belong to the Sabha had been misplaced as at the end of the year 2014, out of those, value of 1,040 books could be identified as Rs. 947,645. A proper methodology had not been established with regard to lending out the library books and therefore annual misplacement of books had been increased.
- (b) Action had not been taken up to now, with regard to 933 books which had been recommended for disposal by Board of Survey since 10 years ago.
- (c) Out of 20 vehicles belong to the Sabha at present; action had not been taken to transfer the ownership of all vehicles in favor of the Sabha, except the cab vehicle.
- (d) While a Water Bowser belongs to the Sabha had been sent to a garage for repairs during the year 2010, the Bowser had not been received back to the Sabha and any course of action had not been taken in that connection.
- (e) Revenue Registers had not been maintained according to the format specified in terms of Pradeshiya Sabha Act No. 15 of 1987 and Pradeshiya Sabha (Financial and Administrative) Rules of 1988.

4. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Assets Management