

**Damana Pradeshiya Sabha
Ampara District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2019 had been submitted to audit on 10 February 2020 and the summarized Auditor General's Reports and Detailed Management report relating to that were sent to the Chairman on 29 May 2020.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph of basis for qualified opinion, financial statements give a true and fair view of the financial position of the Damana Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with the 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 the 43 shops owned by the church had not been assessed and accounted for.	The value must be assessed and accounted for.	Accepted. I will take action to assess and accounted for.
(ii) 02 new shops at the weekly market which had been constructed at a cost of Rs.1,106,91302 under the Pradeshiya Sabha strengthening program of 2019, had not been capitalized.	The completed work value of construction should be capitalized.	Accepted. Action will be taken to account for the new building in the future.

(b) Accounts Receivables and Payables

Audit Observation	Recommendation	Comments of the Accounting Officer
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Accounts Payables		

A sum of Rs.363,850, which had been under expenditure creditors since before 2017, had not been settled.	Action should be taken to settle.	No other details of these purchases or any information that they were received by the Sabha can be found.

(c) **Documentary Evidences not made available for Audit**

Audit Observation	Recommendation	Comments of the Accounting Officer
Evidences had not been presented for 05 assets items of Rs. 2,515,138 and 05 liabilities items of Rs.3,170,546.	Evidence confirming the account balance in the financial statements should be submitted.	No relevant information was found on these accounts.

1.4 Non-compliances

Non-Compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-Compliances	Recommendation	Comments of the Accounting Officer
	(Rs.)			
(a) Pradeshya Sabha Act No. 15 of 1987				
(i) Section 139(1)	-	No action was taken to call for periodic reports to be able to assess the value of the property subject to rates and taxes.	Must act in accordance with the provisions of the Pradeshya Sabha Act.	These reports are currently being prepared by the Revenue Inspector.
(ii) Section 159	618,873	The shop rent arrears had not been recovered from 35 shops leased by the Sabha during the period from 2010 to 2019.	Must act in accordance with the provisions of the Pradeshya Sabha Act.	Leaseholders have been informed about the arrears. Action will be taken to recover.

- (b) **1988 Pradeshiya Sabha (Financial and Administrative) Regulations**

Regulation 217
- | | | |
|---|--|---|
| The assessed value of the lands owned by the Pradeshiya Sabha and used by the Pradeshiya Sabha had not been included in the fixed asset register. | Pradeshiya Sabha rules should be followed. | Unable to proceed due to delays in acquire. |
|---|--|---|
- (c) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

Financial Regulations 571 963,694
- | | | |
|---|---|---|
| 35 deposits exceeding 2 years had not been dealt with as at 31 December of the year under review. | Financial regulations must be followed. | Information on this will be sought and acted upon |
|---|---|---|
- (d) **Public Administration Circular No.30/2016 dated 29 December 2016.**
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| Fuel burning test was not done for 03 vehicle and machinery. | Fuel burning test should be done as per the Circular. | Frequently used vehicles have undergone a fuel burn test and some vehicles have been referred for repairs. |
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2. **Financial Review**

2.1 **Financial Result**

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs. 2,769,889 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 3,338,954.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears Revenue

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue source	2019				2018			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	970,907	420,906	255,620	1,713,056	420,907	659,877	583,052	1,547,770
Rental Income	4,172,626	2,910,849	2,817,875	618,873	3,144,754	3,916,818	2,939,581	525,899
License Fee	1,450,000	2,217,792	2,217,792	83,750	900,000	1,200,230	1,114,780	83,750
Other Revenue	<u>4,486,100</u>	<u>3,983,345</u>	<u>3,796,304</u>	<u>1,145,448</u>	<u>3,843,500</u>	<u>3,650,672</u>	<u>5,868,388</u>	<u>958,407</u>
	<u>11,079,633</u>	<u>9,532,892</u>	<u>9,087,591</u>	<u>3,561,127</u>	<u>8,309,161</u>	<u>9,427,597</u>	<u>10,505,801</u>	<u>3,115,826</u>

2.2.2 Rates and Taxes

(a) Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
The rates and taxes have been recovered based on the 2007 assessments. According to the arrears register, the arrears as at 31 December 2019 were Rs. 1,482,206 but no action had been taken to recover the arrears.	Make a new rate assessment and recover the arrears.	The assessment register has been maintained in Excel Sheet since 2016 and warrants have been issued to recover the existing balance..

(b) Acre Tax

Audit Observation	Recommendation	Comments of the Accounting Officer
No action had been taken to recover the outstanding acre tax of Rs. 230,850 as at 31 December 2019.	Outstanding acre tax should be recovered.	I will take action to recover this amount after fixing the legal status mentioned in Section 134 (3) of the Pradeshiya Sabha Act No. 15 of 1987.

3. Operational Review

3.1 Performance

Following matters were revealed relating to the functions which should be performed by the Sabha to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

(a) By-Laws

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
By-laws were to be enacted to fulfill 30 main matters under section 126 of the Pradeshiya Sabha act, but the by-laws had not been enacted by 31 December 2019.	By-laws should be enacted for matters for which no by-laws have been enacted.	Accepted.

(b) Solid Waste Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The waste management expenditure for the year under review was Rs.5,604,055 and no action had been taken to cover those expenses by imposing a garbage tax.	Garbage management expenses should be recovered by imposing a garbage tax.	A Sabha decision has been taken on 18.02.2020 to impose garbage tax and I will take action in this regard in future.

(c) Sustainable Development Goals

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Pradeshiya Sabha was aware of the United Nations Sustainable Development Agenda - 2030 and had not identified indicators to measure the identified goals and objectives.	Indicators need to be identified to measure goals and objectives.	Accepted.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Lease amount of Rs.558,039 due for the period 2010 to 2019 and Rs.60,834 for the 10% late payment as per the agreement had not been recovered from Sabha owned 35 shops which had been leased for a long time by the Pradeshiya Sabha.	----- Arrears and late fees should be recovered.	----- There are difficulties in recovering the money as the agreements have not been signed properly but reminder letters have been sent and action has been taken to recover the fines at the time of payment.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Employee vacancies and Excesses ----- There were 11 vacancies in eight staff positions as at 31 December 2019.	----- Staff vacancies must be filled.	----- Accepted.

3.4 Assets Management

Maintenances or Repairs not Done

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Two vehicles in need of repair were parked on the premises for a long time without repair and the Sabha did not pay any attention to repair or dispose of those vehicles.	----- Vehicle repairs should be done properly and action should be taken to make use of it.	----- The two tractors EP JZ-4488 and EP RA-2004 will be repaired in the near future. Delays occur as these tasks have to be done according to the income status of the Sabha.