

Lahugala 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 31 January 2020 and the summarized Auditor General's Reports and the 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 Lahugala 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 -----
i. The value of library books worth Rs. 49,926 received from the Provincial Council during the year under review had not been capitalized.	All library books must be capitalized.	The value of those books has now been accounted for.
ii. Receivable Members' allowances of Rs. 285,000 due for the year under review had not been taken into account.	Must be correctly accounted for.	The amount receivable of Rs.285,000 due for MP's allowances had not been accounted for and I will do correctly in the future.
iii. Provisions had not been made in the accounts for membership allowances of Rs. 285,000 to be paid for the year under review.	Must be correctly accounted for.	An amount of Rs. 285,000 for member allowances had been accounted for in the budget under 101A.

(b) Documentary Evidences not made available for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Evidences for 02 assets items amounting to Rs.90,459,889 and 01 liabilities items of Rs.2,424,152 had not been submitted to audit.	Evidences for account balances shown in the financial statements should be submitted.	No formal information can be found on this. We will try to find out in the future.

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) 1988 Pradeshiya Sabha (Financial and Administrative) Regulation 217	-	The appraised value of the lands owned by the Sabha and used by the Sabha had not been included in the register of fixed assets.	Pradeshiya Sabha rules should be followed.	We expect to be assessed and included in the list of fixed assets as soon as the license is issued by the Divisional Secretariat.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i) Financial Regulations 104	22,500	No action had been taken regarding the accident of a cab on 22 April 2019.	Financial regulations must be followed.	In the future, action will be taken in accordance with Financial Regulation 104.
(ii) Financial Regulations 571	1,253,612	No action had been taken on deposits exceeding 02 years as on 31 December of the year under review.	Financial regulations must be followed.	Unable to find information related to deposits. I will look into it in the future.

(c) Public
Administration
Circular

- | | | | | | |
|------|---|---|---|--|---|
| (i) | Circular
No.30/2016
dated 29
December 2016 | - | Fuel burning test was
not done for 11 Sabha
owned vehicle. | Should comply
with the
circular. | Necessary
arrangements have
been made for the
fuel test. |
| (ii) | Circular
No.09/2009
dated 16 April
2009. | - | A fingerprint
machine was not
used to record the
arrival and departure
of officers. | Should comply
with the
circular. | Action will be taken
to install a
fingerprint machine
this year. |

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. 1,597,744 when against with the expenditure over recurrent revenue of the preceding year amounted to Rs. 212,437.

2.2 Financial control

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Rs. 69,609 which had been adjusted as additions and Rs. 52,776 adjusted as deductions to the cash book balances in the bank reconciliation statements for a long time, related to 02 bank current accounts, had not been settled.	Action should be taken to correct.	Action will be taken to correct in the future.

2.3 Revenue Administration

2.3.1 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	Estimated Revenue	2019			Arrears as at 31 December	Estimated Revenue	2018		
		Billed Revenue	Recovered Revenue	Recovered Revenue			Billed Revenue	Recovered Revenue	Arrears as at 31 December
Rates and Taxes	-	-	-	-	-	-	-	-	-
Rental	2,102,000	1,142,837	1,142,837	200	1,602,000	1,297,112	1,297,112	200	
License Fee	215,000	285,360	285,360	26,563	230,000	215,000	215,000	26,563	
Other Revenue	<u>1,325,000</u>	<u>4,296,001</u>	<u>3,731,616</u>	<u>564,359</u>	<u>2,000,000</u>	<u>1,169,200</u>	<u>1,169,200</u>	<u>-</u>	
	<u>3,642,000</u>	<u>5,724,198</u>	<u>5,159,813</u>	<u>591,122</u>	<u>3,832,000</u>	<u>2,681,312</u>	<u>2,681,312</u>	<u>26,763</u>	

2.3.2 Other Revenue

Audit Observation

According to Gazette Notification No. 1597/8 dated 17 April 2009, a minimum of Rs. 20,000 should be charged for approving one telephone tower, but, Rs.160,000 had not been recovered from the 08 telephone towers in the Sabha area.

Recommendation

Arrears charged should be recovered.

Comments of the Accounting Officer

Action will be taken to recover money from telephone towers in the future

2.3.3 Courts Fine and Stamp Duty

(a) Courts Fine

Audit Observation

The arrears courts fines of Rs.564,359 due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 had not collected.

Recommendation

The arrears courts fines should be recovered.

Comments of the Accounting Officer

Not answered.

(b) Stamp Duty

Audit Observation

Stamp duty revenue had not been identified and accounted for.

Recommendation

Arrear stamp duty should be identified and accounted for.

Comments of the Accounting Officer

Not Answered.

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 must be enacted for matters where no by-laws are enacted.	By-laws have already been prepared and submitted to the Provincial Council.

(b) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
An action plan had not been prepared by the Sabha for the year under review.	An action plan should be prepared for each year.	Necessary action will be taken in the future.

(c) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
The Pradeshiya Sabha was not aware of the United Nations' Sustainable Development Agenda - 2030 ".	Sustainable development goals and objectives need to be identified and established.	Action will be taken in the future.

3.2 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) As on 31 December 2019, there were 12 vacancies in 07 approved staff posts and excess of one officer.	Staff vacancies need to be filled.	The issue of this staff vacancy has been around for years and has been brought to the notice of senior officials on several occasions.

(b) Employee loan balance of Rs8,000 due from two suspended and transferred employees of the Sabha had not been recovered by 31 December 2019.	Action should be taken to recover staff loans	Action will be taken to recover those staff loans.
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3.3 Assets Management

3.3.1 Failure to Maintain and Repair

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Out of the 21 vehicles and machinery owned by the Sabha, 09 vehicles were in a condition to be repaired but they were not repaired and parked in the Sabha premises.	Action should be taken to use the vehicles.	This is due to the low income status of the Sabha.

3.3.2 Assets not acquired

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Out of the 21 vehicles and machinery in the Sabha, 13 vehicles had not been taken over.	The legal ownership of the vehicles should be taken over in the name of the Sabha.	Action will be taken to transfer the legal ownership of the vehicles.

3.4 Procurement

Procurement Plan

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
A procurement plan had not been prepared for the year 2019.	A procurement plan should be prepared according to the approved budget.	Action will be taken to prepare a procurement plan for the coming year.