

Lunugala Pradeshiya Sabha
Badulla district

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been submitted for audit on 21 March 2018 and the report of the Auditor General had been sent to the Chairman on 30 August 2018.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in Paragraph 1.3 of this report, Financial Statements give a true and fair view of the financial position of Lunugala Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statement

1.3.1 Accounting Deficiencies

The following were observed.

- a. Although the balance of a bank account as at 31 December for the year under review amounted to Rs.484,092, it was accounted as Rs.806,577 as such current assets were overstated by Rs.322,487.
- b. Six three-wheel parking rent income of Rs. 170,200 of the year under review was not accounted as such surplus and current assets were understated by that amount.
- c. Although an amount of Rs.100,000 was provided to Adawaththa bungalow water project as expenditure creditors, the said project had not started as such the expenditure and liabilities were overstated.
- d. A building demolished in 31 December of the year under review had been overstated by an amount of Rs.150,000 in the accounts as such the value of assets were overstated in that amount.
- e. Although purchase of library books and book donations amounted to Rs.259,454 in the year under review, it was accounted as Rs.219,156 as such Revenue Contribution to Capital Outlay Account was understated by Rs.40,298.

1.3.2 Suspense Account

An amount of Rs.403,670 continuously shown in the preceding years in the suspense account was not rectified.

1.3.3 Accounts Receivable and Payable

a. Accounts Receivable

At the end of the year under review in the , accounts payable balance amounting to Rs.21,557,368 includes rental due for 7 years amounting to Rs.852,880, acreage tax amounting to Rs.29,499, arrears of water bills amounting to Rs.965,628, arrears of tender shop rent amounting to Rs.2,370,719, arrears of house rent amounting to Rs.13,548, arrears of rates amounting to Rs.336,656, arrears of miscellaneous revenue amounting to Rs.2,506,328 and arrears capital receipts due 1 year amounting to Rs.14,482,110 and those had not been recovered.

b. Accounts Payable

At the end of the year under review, accounts receivable balances amounting to Rs.22,108,645 includes expenditure creditors due over one year amounting to Rs.260,462 and works creditors amounting to Rs.21,848,183 and action had not be taken to settled.

1.3.4 Lack of written Evidence for Audit

Due to the lack of evidence relating to 4 items of accounts amounting to Rs.83,665,126 could not be satisfactorily vouched.

1.3.5 Non-compliance

1.3.5.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed.

	Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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		Rs.	
a.	Sections 158,159 of 1987 Pradeshiya Sabha Act No.15	2,011,163	Action to collect arrears of revenue for the preceding and year under review had not been taken

- b. 1988 Preadeshiya Sabha (Financial and Administration) Rules.
 - i. Rule 217 A Register according to format pra.sa.46 of all Land and Building belonging to the Council had not been maintained.
 - ii. Rule 218 The Land and Building belonging to the Council had not been verified and report to the Council.

- c. Financial Regulations of The Democratic Socialist Republic of Sri Lanka.
 - i. Financial Regulation 104(3) 60,215 Action had not been taken to recover the damage cause to a backhoe machine from the responsible parties.
 - ii. Financial Regulation 104(4) Although a detailed report should be presented after three months from the accident, action not taken Accordingly.
 - iii. Financial Regulation 110 A report of damage was not maintained.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, surplus of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.5,464,146 and the corresponding surplus over recurrent expenditure for the preceding year amounted to Rs.7,670,733.

2.2 Financial Control

A bank current account with a balance of Rs.1,279,678 belonging to the Council had been maintained without operation from 01 January 2016 to 31 December 2017.

2.3 Revenue Administration

2.3.1 Estimated Income, Billed Income, Collected Income and Arrears of Income

The details about the Estimated Income, Billed Income, Collected Income and Arrears of Income for the year under review and the preceding year are shown below.

Source of Income	2017				2016			
	Estimated Income	Billed Income	Collected Income	Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	Arrears as at 31 December
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates and Tax	257,000	259,225	194,164	65,061	257,000	246,175	150,373	95,801
(ii) Rent	6,649,625	1,048,850	573,075	475,775	4,346,024	1,063,740	544,747	510,993
(iii) License Fees	906,000	-	-	-	741,000	-	-	-
(iv) Other Income	323,500	1,398,107	963,048	435,059	298,500	1,340,681	912,207	428,474
Total	8,136,125	2,706,182	1,730,287	975,895	5,642,524	2,650,596	1,607,327	1,035,268

2.3.2 Performance in Revenue Collection

The total billed revenue for the year ended 31 December 2017 amounted to Rs.2.7 million while collected revenue amounted to Rs.1.7 million. However, revenue amounted to Rs.9.75 million had to be collected and in comparison to the preceding year the arrears of revenue collection was less by 6 per cent.

2.3.3 Rates and Taxes

Although new Rate should be assessed by identifying developed areas in according to Section 134(1) of Pradeshiya Sabha Act, No.15 of 1987 rates for the year under review had been collected based on the 2004 assessment.

2.3.4 Rent

Although rent should be assessed and Agreement had to be made in every for years as per Local Government Commissioner's Circular No.1980/46 dated 31 December 1980, such had not been done. As such rental had been collected in the year under review on the assessment of 2007 and 2012.

2.3.5 License Fees

License fees from 14 businesses relating to the year under review amounted to Rs.98,000.

2.3.6 Other income

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- a) i An amount of Rs.100 fixed charge had been collected from 254 water consumers who were use water from two water project in the area without fixing water meters.
 - ii. Adequate action had not been taken to collect arrears of water bills due for a long time amounting to Rs.459,713 as at 31 December 2017 from 96 water consumers to whose water connection were disconnected.
- b) Action had not been taken to collect the rental of backhoe machine for 100.9 working hours amounting to Rs.353,717 up to 31 December 2017.

2.3.7 Court Fines and Stamp Duties

Court Fines and Stamp Duties to be recovered as at 31 December of the year under review from the Provincial Council and other institutes amounted to Rs.8,742,676 and Rs.839,829 respectively.

3. Operating Review

3.1 Performance

It was revealed after the analyzing of the execution of activities of by the Pradeshiya Sabha in accordance with 1987 Pradeshiya Sabha Act, Section 3 such as regulation of health of the public, common utility services and public road facilities and maintenance of people's prosperity, welfare and development are given below.

a. By Laws

Although by Laws should be enacted for 30 main functions according to Section 126 of the Pradeshiya Sabha Act, such were not done for 10 function even up to 31 December 2017.

b. Action Plan

An Action plan for the year under review had not been prepared by the Council.

c. Solid Waste Management

Although a land had been bought for solid waste management in the year 2014 and a land rental of Rs.93,200 had been paid, the land was idle up to August 2018.

d. Sustainable Development Goals

Due to the Council not being aware of 2030 agenda of Sustainable Development Goals, the global view of such purposes for a long term plane to enhance the living standards and health of the people living in the Council area of authority had not been initiated up to 2018.

3.2 Management Inefficiencies

Losses and Damages

Although the backhoe loader had been fully ensured for the year 2016, the insurance company had informed that it was unable to pay an amount of Rs.60,215 regarding an accident caused in July 2016 to the backhoe loader.

3.3 Human Resource Management

There were vacancies in the post of the Secretary, a Technical Officer, Management Assistant and 4 Pre – School Teacher and a excess in 2 Development officers and 22 Road Laborer post as at 31 December of the year under review.

3.4 Asset Management

3.4.1. Idle Assets

Action had not been taken to dispose a decayed hand tractor with a book value of Rs.107,500 transferred by the Passara Pradeshiya Sagha to the Council in the year 2010.

3.5 Procurement

3.5.1 Procurement Plan

A procurement plan had not been prepared by the Council for the year under review.

4. Accountability and Good Governance

4.1 Budget Control

It was observed that there were considerable variations in the budgeted revenue and expenditure for the year under review with the actual revenue and expenditure that indicating the budget had not been made used as an effective tool of management control.

5. System and Control

Deficiencies observed during audit had been informed to the Council time to time and special attention is needed in the following areas of control.

System -----	Weaknesses -----
A. Accounting	i. Suspense account balance not correctly identified and rectified. ii. Same value accounted twice.
B. Creditors	i. Schedules not prepared. ii. Age analysis was not prepared
C. Fixed assets	i. Assets registers not maintaining.
D. Staff Management	i. Not obtaining to carder approved. ii. Having excess carder. iii. Vacancies not filled. iv. Not giving proper duty list for Staff.