

Lahugala Pradeshiya Sabhawa
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 21 June 2019 and the summary report of the Auditor General on the financial statements and detailed management report had been forwarded to the Chairman on 15 August 2019 .

1.2 Qualified Opinion

In my opinion except for the effect of matters described in the basis for qualified opinion of this report, the financial statements give a true and fair view of the financial position of the Lahugala Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(i) Value of the remaining stock of street lamps at the end of the year under review which being Rs.79,259 had not been brought to accounts.	Accounts should be prepared accurately.	This will be corrected by adjusting the stock to the account of the next year.
(ii) Computers and accessories to the value of Rs.517,776 received from the Ministry of Provincial Councils and Local Government during the year under review had not been capitalized.	Accounts should be prepared accurately.	This value will be brought to accounts correctly in future
(iii) Stamp fee of Rs.653,500 receivable from 2013 to 2017 and the amount receivable for 2018 had neither been identified and nor brought to accounts.	Accounts should be prepared accurately.	This problem existing over a number of years will be rectify in future.
(iv) Court fines of Rs.1,542,022 recoverable for the period from June to December of the year under review had not been brought to accounts.	Accounts should be prepared accurately.	This deficiency had to be experienced due to non-availability of an officer with knowledge on accounting and it will be rectify next year.

- | | | | |
|------|---|---|---|
| (v) | In respect of a sum of Rs.1,583,550 payable for 02 construction industries completed in 2017, adjustment had been made to the accumulative fund during the year under review as Rs.1,465,195. | Accounts should be prepared accurately. | Action will be taken to bring this value correctly to accounts in future. |
| (vi) | Provisions had not been made for a sum of Rs.2,919,244 payable for 02 construction industries completed in 2018. | Accounts should be prepared accurately. | Action will be taken to bring this value correctly to accounts in future. |

(b) Accounts Receivable and Payable

Accounts Receivable

Audit Observation

Recommendation

Comments of the Accounting Officer

Action had not been taken to recover advances of Rs.86,066 given during the period from 1998 – 2012 even by 31 December of the year under review.

Action should be taken to recover advances.

Admitted action will be taken to recover advances in future.

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation

Recommendation

Comments of the Accounting Officer

06 items of assets of Rs.193,811,285 and 01 item of liabilities of Rs.1,512,910 could not be satisfactorily vouched due to non rendering of registers, schedules, time analysis and balance confirmation certificates.

Evidence to prove account balances shown in financial statements should be submitted.

Action will be taken to rectify in future.

1.4 Non Compliance with Law, Rules, Regulations and Management Decisions

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are as follows:

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliance	Recommendation	Comments of the Accounting Officer
-----	-----	-----	-----
(a) Pradeshiya Sabha Rules 207	The Sabha had not taken action to acquire and assess land owned by the Sabha and lands to be utilized by it nor included the same in the Assets Register.	Pradeshiya Sabha Rules should be adhered to.	Those lands will be acquired in future.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka ----- F R 571	Action had not been taken on deposits of Rs.810,324 which exceeded 02 years as at 31st December of the year under review.	Shall be adhered to.	Action will be taken to solve this problem soon.
(c) Treasury Circulars -----			
Circular No. IAI/ 2002 /02 dated 28 of November 2002	Register had not been maintained to include computers & computer accessories .	Action shall be taken in terms of circulars.	Action will be taken to maintain a Register for computers and accessories.
(d) Public Administration Circulars -----			
Circular No. 30/2016 dated 29 December 2016	Fuel testing had not been carried out in respect of 11 vehicles owned by the sabha which required fuel testing.	Action shall be taken in terms of circulars .	Fuel testing will be carried out in future.
Circular No. 09/2009 dated 16 April 2009	No finger marking machine had been used to mark arrival and departure of officers as per circular.	Action shall be taken in terms of circulars .	Action will be taken in future.

02 **Financial Review**

2.1 **Financial Result**

According to the financial statements presented the excess of recurrent revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.212,437 as against recurrent expenditure over recurrent revenue of the preceding year amounting to Rs.346,946.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Revenue in Arrears

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decemb	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Dece.
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Rates & Taxes	1,602,000	1,297,112	1,297,112	200	1,100,000	946,558	946,558	200
Licence fee	230,000	235,790	235,790	26,563	205,000	219,960	219,960	26,783
Other Revenue	2,000,000	1,169,200	1,169,200	-	2,535,000	1,802,166	1,802,166	-

2.2.3 Other Revenue

Audit Observation

Although a minimum of Rs.20,000 each should have been recovered to grant approval for one telephone tower as per gazette No.1597/8 dated 17 April 2009, a sum of Rs.160,000 had been recovered from 08 telephone towers existing in the Authoritative area of the Sabha.

Recommendation

Charges in arrears should be recovered.

Comments of the Accounting Officer

A CTION WILL BE TAKEN TO RECOVER THIS SUM DURING THIS YEAR.

2.2.4 Court Fines and Stamp Fees

(a) Court Fines

Audit Observation

Court fines of Rs.1,542,022 recoverable as at 31 December 2018 had not been recovered.

Recommendation

Court fines in arrears should be recovered.

Comments of the Accounting Officer

Comments not made.

(b) Stamp fees

Audit Observation

Stamp fees of Rs.653,500 recoverable as at 31 December 2018 had not been recovered.

Recommendation

Arrears of stamp fees should be recovered.

Comments of the Accounting Officer

Comments not made.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties and functions to be fulfilled by the Sabha under Section of the Pradeshiya Sabha Act such as regulation of control of matter relating to public health, common amenities and public highways, healthy environment of the public facilities and welfare etc.

(a) By-Laws

Audit Observation

Although by-laws had to be enacted to fulfill 30 main functions under Section 126 of the Pradeshiya Sabha Act, by-laws had not been enacted even by 31 Decemember 2017.

Recommendation

By-laws should be enacted in respect of matters for which no by-laws had been enacted.

Comments of the Accounting Officer

Although drafted by laws had been forwarded, the sabha had not pass the same.

(b) Action Plan

Audit Observation

Action plan had not been prepared by the Sabha for the year under review. Accordingly objectives achievable and anticipated activities had not been identified.

Recommendation

Action plan should be prepared in respect of each year.

Comments of the Accounting Officer

Action plan will be prepared.

(c) Solid Waste Material Management

Audit Observation

Environmental Licence had not been obtained by the Sabha for the land on which garbage are disposing.

Recommendation

Action should be taken to recover waste tax in arrears.

Comments of the Accounting Officer

Institutions take no action to provide a specific land to the Pradeshiya Sabha for disposal of gargage.

(d) Sustainable Development Targets

Audit Observation

Recommendation

Comments of the Accounting Officer

The Pradeshia Sabha had not been aware of sustainable Development Agenda – 2030 of the United Nations.

Sustainable Development objectives and targets should be identified and established.

Action will be taken to educate on Agenda for sustainable Development Targets 2030.

3.2 Human Resources Management

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Vacancies of 12 officers for 06 posts in the approved cadre were available as at 31 Dec. 2018..

Vacancies in the cadre should be filled.

Applied on a number of occasions to get the vacancies filled.

(b) Loan balance of Rs.8,000 recoverable from 02 employees one interdicted and the other having got a transfer out had not been recovered even as at 31 December 2018.

Action should be taken to recover employee loan balances.

Early action will be taken to recover these loan balances.

3.3 Assets Management

3.3.1 Non effecting maintenance and repairs

Audit Observation

Recommendation

Comments of the Accounting Officer

Although 09 vehicles out of 21 vehicles and machineries/equipments owned by the Pradeshia Sabha were required repairs, those vehicles remain in the premises non repaired and non used.

Action should be taken to put those vehicles in to productive use.

This has been caused by the low income position of the Sabha.

3.3.2 Assets not Transferred

The following observations were made.

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to transfer the ownership of vehicles/machinery & equipment cut of 18 and 16 land block, total extent of which being 54.75 acres.	The legal ownership of vehicles should be transferred in the name of the Sabha.	Action will be taken in future.

3.3.3 Idle and Under-utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Building consisting of 08 rooms and 04 air conditioned rooms located within the public park, Panama, construction of which had been completed on 26 December 2017 at a cost of Rs.9,254,688 and Rs.8,056,903 under backward local government institution enhancement programme, 2017 had not been rented out in 2018 which resulted in the loss of revenue.	Action should be taken to earn revenue.	No comments made
(b) Multi-purpose building, construction of which had been completed on 25 December 2017 at a cost of Rs.6,049,901 under Pradeshiya Sabha Augmentation programme 2017 had not been leased out which remained idle taking action to earn an income.	Action should be taken to lease/rent out them to earn an income.	No comments made
(c) Motor Grader and Bacho Loder owned by the Sabha had been utilized for 19 and 158 hours respectively in 2018 and action had not been taken to earn sufficient..	Action should be taken to hire them and earn as income.	No comments made

3.4.4 Utilization of Vehicles

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

Action had not been taken to obtain revenue licence or insurance of 2018 in respect of 11 vehicles owned by the Sabha.

Action should be taken to obtain revenue licence and insurance covers.

No comments made.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

As per National Budge Circular No.128 issued on 24 March 2006. Annual Procurement Plan had not been prepared by the Pradeshiya Sabha for 2018.

A procurement plan should be prepared.

No comments made.