

Lunugala Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentation of the Financial Statements

The Financial Statements of the year 2019 had been presented to the audit on 26 February 2020, the summary report of the Auditor General on those financial statements and the detailed management report had been forwarded to the chairman on 17 July 2020 and 24 July 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion section of this report, the financial statements give a true and fair view of the financial position of the Lunugala pradeshiya Sabha as at 31 December 2019, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3.1 Basis for Qualified Opinion

a) Accounting Deficiencies

| Audit observation | Recommendation | Comments of the Accounting Officer |
|--|-----------------------------------|---|
| ----- | ----- | ----- |
| (i) Stock of water meters amounting to Rs.390,000 and stock of tires amounting to Rs. 101,700 had not been accounted as at 31 December of the year under review. | It should be accounted correctly. | Action will be taken to correct. |
| (ii) Work done amount of Rs. 1,996,723 of the Waste management center that completed constructions in the previous year had not been capitalized. | It should be accounted correctly. | Action will be taken to correct. |
| (iii) Work done amount of Rs. 3,922,900 of Installation of solar street lights that completed in the previous year had been understated. | It should be accounted correctly. | Action has been taken to account. |
| (iv) Rs. 3,922,900 that should be paid to the Solar energy company as at 31 December of the year under review had not been accounted as creditors. | It should be accounted correctly. | Action has been taken to account. |

(b) **Lack of evidence for Audit**

| Audit observation | Recommendation | Comments of the Accounting Officer |
|---|---|---|
| ----- Valuation reports of certified valuers, board of survey reports and documents for confirming ownership related to Land & Building amounting to Rs. 64,992,802 had not been presented to the audit. | ----- Evidences confirming account balances should be presented. | ----- Action will be taken to confirm ownership by survey. |

1.4 **Non compliance**

Non compliance with laws, rules, regulations and management decisions.

| Reference to laws, rules regulations and management decisions | Non compliance | Recommendation | Comments of the Accounting Officer |
|--|--|---|---|
| ----- | ----- | ----- | ----- |
| (a) Section 4 of chapter XXIV of the Establishments code of the Democratic Socialist Republic Of Sri Lanka | Action had not been taken to recover 3 outstanding loans amounting to Rs. 157,925 that should be recovered from the officers who had been dead, left the service and currently in the service. | Outstanding Loans should be recovered. | Since It was unable to recover, A proposal has been made to obtain the approval of the Minister in charge of the subject. |
| (b) Circular No. 1980/46 dated 31 December 1980 of the commissioner of Local Government | Although the properties of the Sabha should be assessed once in 5 years, 33 shops had been rented on an assessment of the Sabha and 26 shops had been rented on the assessments done before the year 2014. | Action should be taken in accordance with the guidelines of the circular. | Letters has been sent to assess in the year 2020. |

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 has been Rs. 6,722,731 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.3,624,747.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Presented information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue for the year under review and the preceding year are as follows.

| Source of Revenue | 2019 | | | | 2018 | | | |
|---------------------|-------------------|----------------|-------------------|--------------------------|-------------------|----------------|-------------------|--------------------------|
| | Estimated Revenue | Revenue Billed | Revenue collected | Arrears as at 31December | Estimated Revenue | Revenue Billed | Revenue collected | Arrears as at 31December |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| (i) Rates and Taxes | 282,000 | 258,703 | 183,296 | 75,408 | 249,000 | 259,315 | 164,325 | 94,989 |
| (ii) Rent | 5,648,194 | 4,957,266 | 4,255,599 | 701,667 | 4,829,950 | 4,070,842 | 2,701,537 | 1,369,305 |
| (iii) Other Income | 2,053,000 | 1,291,890 | 915,976 | 375,914 | 1,945,000 | - | - | - |
| Total | 7,983,194 | 6,507,859 | 5,354,871 | 1,152,989 | 7,023,950 | 4,330,157 | 2,865,862 | 1,464,294 |

2.2.2 Performance in Revenue Collection

Audit observation

Arrears of tender shop rents amounting to Rs. 1,718,563 that had elapsed more than 3 years and Revenue debtors amounting to Rs. 17,357,675 that had elapsed more than 5 years had not been recovered.

Recommendation

Arrears of revenue should be recovered.

Comments of the Accounting Officer

Action will be taken to account.

2.2.3 Court Fines and Stamp Fees

Audit observation

Arrears of Court fines amounting to Rs. 4,640,256 and arrears of Stamp fees amounting to Rs. 1,436,236 due as at 31 December of the year under review had not been recovered.

Recommendation

Arrears of Court fines and arrears of Stamp fees should be recovered.

Comments of the Accounting Officer

Action will be taken to recover the arrears.

3 Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities and welfare.

Sustainable Development Goals

Audit observation

Although there was awareness with regard to “Sustainable Development Agenda- 2030” of the United nations, Indexes for measuring sustainable objectives and goals which could be applied to the Sabha had not been identified.

Recommendation

Indexes for measuring sustainable objectives and goals should be identified, and progress in reaching those should be measured accordingly.

Comments of the Accounting Officer

Sustainable development objectives and goals have been identified.

3.2 Management Inefficiencies

Audit observation

Expenditure creditors amounting to Rs.611,412 and construction creditors amounting to Rs. 5,144,604 that had elapsed more than 5 years had not been settled.

Recommendation

Payable balances should be settled.

Comments of the Accounting Officer

Action will be taken to account correctly.

3.3 Human Resource Management

Audit observation

There were 5 vacancies in 4 positions as at 31 December of the year under review.

Recommendation

Essential vacancies should be filled.

Comments of the Accounting Officer

The commissioner of Local Government has been informed to fill the vacancies.

3.4 Operational Inefficiencies

Audit observation

Action had not been taken to determine and collect rent for a shop which had been built in an empty space of the Lunugala bus station in May 2015.

Recommendation

Arrears of shop rents should be recovered.

Comments of the Accounting Officer

Action will be taken to charge rents based on new assessment.

3.5 Idle Assets

Audit observation

120 water meters worth of Rs. 390,000 that had been purchased on 8 December 2017 had not been used and had been idle.

Recommendation

Goods should be purchased on requirement.

Comments of the Accounting Officer

Action will be taken to develop water schemes of Madolsima and Yahampa and to install water meters.

4 Accountability and Good Governance

4.1 Internal Audit

Audit observation

An internal audit had not been conducted in the year under review.

Recommendation

An internal audit should be conducted.

Comments of the Accounting Officer

Action will be taken to plan and conduct an internal audit in the next year.

4.2 Audit and Management Committee

Audit observation

Only 02 Audit and Management Committee meetings had been held in the year under review.

Recommendation

Audit and Management Committee meetings should be held at least once in a quarter.

Comments of the Accounting Officer

Action will be taken to conduct committee meetings in accordance with circular guidelines.