

Lunugala Pradeshiya Sabha

Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2018 had been submitted for audit on 08 March 2019 and the Summary Report of the Auditor General and the Detailed Management Audit Reports were sent to the Chairman on 31 May 2019.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in the Section of the basis for qualified audit opinion of this report, Financial Statements give a true and fair view of the financial position of the Lunugala 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 audit opinion

(a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the accounting officer
(i) The value of six buildings belonging to the Sabha had not been assessed and get in to the accounts.	Accounts should be prepared properly.	Action will be taken to accounts after verifying the ownership and assessed.
(ii) Over provision for the creditors amounting to Rs.32,203 had been done for the Project of providing water to Kalaimagal Tamil Vidyalaya, which was completed during the year under review.	Accounts should be prepared properly.	The corrections will be done by journal entries in preparing accounts
(iii) The court fines income for the month of December of the year under review had not been identified and shown in the court fines and court fines income accounts.	Accounts should be prepared properly.	The corrections will be done by journal entries in preparing accounts
(iv) A savings account amounting to Rs. 385,587 had not been included in the statement of financial position and cash and equivalents as at 31 December 2018.	Accounts should be prepared properly.	The corrections will be done by journal entries in preparing accounts.

- (v) The value of the library book stock purchased and donated during the year under review had been understated by Rs. 74,075 in the accounts. Accounts should be prepared properly. The corrections will be done by journal entries in preparing accounts.

(b) Un-reconciled Accounts

Audit Observations -----	Recommendations -----	Comments of the accounting officer -----
There was a difference of Rs.15,795,447 in between the financial statements balance presented for the year under review and the balance of the Registers.	Documents and schedules should be properly updated and corrected for the reasons of the discrepancies.	Action will be taken to correct.

(c) Lack of evidence for Audit

Audit Observations -----	Recommendations -----	Comments of the accounting officer -----
Lands and Buildings amounting to Rs. 64,917,802 could not be satisfactorily verified in audit due to lack of survey reports and a reputed valuers report.	Evidence relevant to the audit should be submitted with the accounts.	Action will be taken to assess and taken in to the accounts.

1.4 Non-compliance

Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations -----	No- compliance -----	Recommendations -----	Comments of the accounting officer -----
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(a) Preadeshiya Sabha
Act No.15 of
1987

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| (i) Section 139 | No periodic reports had been called for the assessment of the annual value of any house, building, land or house | Shall comply with the provisions of the Act. | Steps have been taken to call for future reports and the assessment for the year 2019. |
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subject to the assessment tax.

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| (ii) Section 159 | The arrears of income amounting to Rs.706,845 had not been recovered by the end of the year under review. | Shall comply with the provisions of the Act . | Actions had been taken to filed a case and arrears will be charge in due course. |
| (iii) Section 158,162 and 163 | Arrears of income amounting to Rs.339,811 as at 31 December for the year under review had not been recovered. | Shall comply with the provisions of the Act. | Since the Agrarian Services Committee pays the acreage tax on paddy lands, it has not been recovered and action will be taken to remove it from the accounts. |
| (b) Public Administration Circular No. 30/2016 dated 29 December 2016 | The fuel consumption of 10 vehicles belonging to the Council had not been done. | Fuel consumption should be checked as per the Circular instructions. | Steps will be taken to check the fuel consumption in due course. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, surplus over recurrent expenditure for the year ended 31 December 2018 amounted to Rs.3,624,747 and the corresponding surplus over recurrent expenditure for the preceding year amounted to Rs.5,464,147.

2.2 Revenue Administration

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

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

Source of Income	Estimated Income	2018			2017			
		Billed Income	Collected Income	Arrears of Income as at 31 December	Estimated Income	Billed Income	Collected Income	Arrears of Income as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Assessment and Tax	1,667,000	1,650,989	1,234,376	414,613	1,607,000	1,657,331	1,157,212	500,120
(ii) Rent	7,304,950	5,509,241	4,150,725	1,358,516	6,649,625	4,156,830	3,504,825	652,005
(iii) Permit Charges	1,122,000	914,692	914,692	-	906,000	806,909	806,909	-
(iv) Other Income	5,960,000	6,743,728	753,637	5,996,091	3,656,000	3,975,345	975,345	3,000,000
Total	16,053,950	14,818,650	7,053,430	7,769,220	12,818,625	10,596,415	6,444,291	4,152,125

2.2.2 Performance of Revenue Collection

Rs. 7,769,220 from the total billed income amounting to Rs.14,818,650 had not been recovered, which was 52 per cent from the total billed income.

Arrears of income should be recovered

The arrears include court fines and stamp fees, which have already been received.

2.2.3 Rate and Taxes

	Audit Observations	Recommendations	Comments of the accounting officer
(a)	Rs. 74,118 from the total billed Assessment Tax amounting to Rs. 224,998 in the year under review, had not been collected which was 33 per cent from the total billed income.	Arrears Assessment Tax should be recovered.	Action will be taken to recover in 2019.
(b)	Rs. 265,693 from the receivable Assessment Tax amounting to Rs. 336,656 as at the beginning of the year under review, had not been recovered, which was 79 percent from the total receivable income as at the beginning of the year.	Assessment Tax arrears should be collected.	Assessment Tax for the paddy Lands had been billed. Action will be taken to charge or cutoff or withdraw those income.

2.2.4 Collection of Income on water charges

Audit Observations	Recommendations	Comments of the accounting officer
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Arrears of water charges amounting to Rs. 1,085,458 as at December 31 of the year under review had not been recovered .	Arrears of water charges should be recovered.	Action will be taken to deduct water charges that could be collected and cut off that cannot be collected.

2.2.5 Renting of asset annually

Audit Observations	Recommendations	Comments of the accounting officer
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Property Taxes amounting to Rs 3,071,457 as at 31 December of the year under review, had not been recovered.	The arrears should be recovered.	Legal action will be taken to recover the arrears.

2.2.6 Shop Rent

Audit Observations	Recommendations	Comments of the accounting officer
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The outstanding shop rent for the year ended 31 December was Rs. 706,845.	Arrears of property taxes must be recovered.	Legal action has been taken to recover the arrears.

2.2.7 Court Fines and Stamp Fees

Audit Observations	Recommendations	Comments of the accounting officer
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Court fines amounting to Rs. 9,090,092 and stamp fees amounting to Rs. 2,863,150 had to be charged from the Uva Provincial Council as at 31 December of the year under review.	Arrears of Court Fines and Stamp fees should be recovered.	The arrears have been recovered now.

3. Operational Review

3.1 Performance

Facts revealed after the analysis of the execution of tasks by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act such as regulation of health of the public, common utility services and public road facilities and maintenance of people's prosperity, comfort and development are given below.

(a) By-Laws

Audit Observations -----	Recommendations -----	Comments of the accounting officer -----
Although by-laws were to be enacted in order to fulfill 30 main matters under Section 126 of the Pradeshiya Sabha act, by the end of 31 December, 2018, only seven of them had not been enacted.	By-laws should be enacted for matters not enacted by-laws.	Seven By-laws will be enacted in due course .

(b) Action Plan

Audit Observations -----	Recommendations -----	Comments of the accounting officer -----
The action plan for the year under review was not prepared and accordingly the objectives and activities expected to be achieved during the year were not identified. As such, the annual performance appraisal was lost.	An action plan should be prepared.	Prepare an action plan for the year 2019.

(c) Sustainable Development

Audit Observations -----	Recommendations -----	Comments of the accounting officer -----
Although the Council is aware of the United Nations "Sustainable Development Agenda 2030", indices have not been identified to measure the Sustainable Development Goals and Goals that have been identified as applicable to the Council.	Indicators should be identified to measure the Sustainable Development Goals and accordingly the annual progress will be measured.	Indicators have not been identified and will continue to work towards achieving future goals and objectives.

3.2 Human Resources Management

Vacancies in Cadre

Audit Observations

Recommendations

Comments of the accounting officer

Three vacancies in 3 positions had not been filled.-----
Vacancies of the cadre should be filled.-----
Steps will be taken to fill the vacancies in due course.

3.3 Asset Management

Ownership of the vehicle had not been assigned

Audit Observations

Recommendations

Comments of the accounting officer

There was no attempt to take over the legal ownership of six vehicles used by the Council.-----
The ownership of the vehicles belonging to the Sabha should be transferred.-----
Steps will be taken to acquire ownership of vehicles in due course .

3.4 Procurement

Audit Observations

Recommendations

Comments of the accounting officer

No procurement plan had been prepared for the year under review.-----
The procurement plan should be prepared.-----
A procurement plan for the year 2019 has been prepared.

4. Accountability and good governance

4.1 Internal Audit

Audit Observations

Recommendations

Comments of the accounting officer

An Internal Audit of the Pradeshiya Sabha was not carried out in the year under review.-----
Internal Audit should be conducted-----
Action will be taken to appoint an Internal Auditor.

4.2 Audit and Management Committee

Audit Observations

Recommendations

Comments of the accounting officer

The Audit and Management Committees were not held for the year under review as per the Circular No: DMA / 2009 (01) of the Internal Audit Guidelines dated 9 June 2009.

An Audit and Management Committee should be established in the Sabha.

An audit committee will be appointed in due course to carry out the audit.