

**Hali-Ela 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 27 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 29 June 2020 and 22 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 Hali-Ela 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 Basis for Qualified Opinion

a) Accounting Deficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
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(i) Although the balance of the General deposits had been stated as Rs. 6,806,185 in the ledger account as at 31 December of the year under review, It had been Rs. 1,850,884 according to the presented schedules with the financial statements.	It should be accounted correctly by comparing accounts.	Action will be taken to correct since this is a difference coming from previous years.
(ii) Although the Arrears of stamp fees as at 31 December of the year under review had been Rs. 22,935,662, It had been stated as Rs. 24,000,000 in the financial statements.	It should be accounted correctly.	Actions have been taken to correct.

b) Un-reconciled Accounts

Audit observation	Recommendation	Comments of the Accounting Officer
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As at 31 December of the year under review, There had been a difference amounting to Rs. 37,232,820 between the balance of the 3 items of accounts in the financial statements and the balance of the schedules.	It should be accounted correctly by comparing accounts.	Action will be taken to correct 3 items of accounts.

c) **Lack of evidence for Audit**

Audit observation	Recommendation	Comments of the Accounting Officer
----- Fixed assets register, title deeds, licences, shedules and age analysis reports relating to 04 items of accounts amounting to Rs. 103,446,259 had not been presented to the audit.	----- Evidences confirming account balances should be presented.	----- Documents are being updated.

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
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(a) <u>Pradeshiya</u> <u>sabha Act No.</u> <u>15 of 1987</u> Section 19(XI) and Section 173, 174	03 lands of the Sabha had been leased to 03 external parties without obtaining approval of the Minister and without following procurement procedures.	Approval of the Minister should be obtained and procurement procedures should be followed.	Documents have been presented to obtain the Governor's approval.
(b) <u>Financial</u> <u>Regulations of</u> <u>the Democratic</u> <u>Socialist</u> <u>Republic of Sri</u> <u>Lanka</u> Financial Regulation 371	Sub- imprests amounting to Rs. 217,718 that had been granted in 03 occasions and elapsed 7 years had not been settled.	Sub- Imprests should be settled.	Action will be taken to settle Sub- Imprests.

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. 16,277,597 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 7,687,228.

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	2,668,568	2,000,494	1,434,922	565,574	2,665,364	2,000,494	1,311,093	689,401
(ii) License Fees	1,465,000	1,465,000	2,145,425	-	1,415,000	-	1,640,810	-
(iii) Other Revenue	3,001,352	30,418,817	288,424	161,383	30,624,971	3,041,806	232,887	2,808,919
Total	7,134,920	33,884,311	3,868,771	726,957	34,705,335	5,042,300	3,184,790	3,498,320

2.2.2 Performance in Revenue Collection

Audit observation

Arrears of revenue amounting to Rs. 83,825,056 that had elapsed more than 5 years had not been recovered.

Recommendation

Arrears of revenue should be recovered.

Comments of the Accounting Officer

Actions have been taken to recover those balances.

2.2.3 Court Fines and Stamp Fees

Audit observation

Arrears of Court fines amounting to Rs. 23,000,000 and Stamp fees amounting to Rs. 4,861,609 due as at 31 December of the year under review had not been recovered.

Recommendation

Arrears of revenue should be recovered.

Comments of the Accounting Officer

Action will be taken to recover.

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

<u>Audit observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
----- There had not been awareness with regard to “Sustainable Development Agenda-2030” of the United nations, and suitable sustainable objectives and goals for the Sabha had not been identified.	----- Indexes for measuring sustainable objectives and goals should be identified, and progress in reaching those should be measured accordingly.	----- Actions have been taken to identify sustainable objectives and goals.

3.1.1 Management Inefficiencies

<u>Audit observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
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(a) Advance amounting to Rs. 380,294 had been paid to an organization of farmers reaching an agreement amounting to Rs. 1,901,470 on 08 July 2019 for construction of retaining wall of the vehicle park of the Sabha. Any work relating to the construction had not been commenced or transported required goods to the workplace as of 06 August 2019.	Work should be completed on due date in accordance with the agreement.	Because of the problematic situation occurred regarding the land during constructions, It will be restarted constructions after surveying.
(b) Account balance amounting to Rs. 100,000 which had been included in land & building of fixed assets in the financial statements of the previous year had been written off from financial statements of this year without having proper approval.	Proper procedures should be followed for writing off fixed assets.	It has been written off in accordance with the audit report of previous year.
(c) Expenditure creditors and construction creditors amounting to Rs. 52,607,778 that had elapsed more than five years had not been settled.	Payable accounts should be settled.	Action will be taken to settle these account balances.

3.3 Human Resource Management

Audit observation	Recommendation	Comments of the Accounting Officer
----- As at 31 December of the year under review, There were 28 vacancies in 13 positions.	----- Essential vacancies should be filled.	----- Requests have been made to fill vacancies.

4 Accountability and Good Governance

4.1 Audit and Management Committee

Audit observation	Recommendation	Comments of the Accounting Officer
----- Only 02 Audit and Management Committee meetings had been held in the year under review.	----- Audit and Management Committee meetings should be held at least once in a quarter.	----- Action will be taken to be held Audit and Management Committee meetings in the next year.

4.2 Internal Audit

Audit observation	Recommendation	Comments of the Accounting Officer
----- An internal audit had not been conducted in the year under review.	----- An internal audit should be conducted.	----- An internal audit will be conducted in the next year.