

Tangalle Pradeshiya Sabha
Hambantota District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2017 and the financial statements for the preceding year had been presented on 04 April 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 26 September 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Tangalle Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) The total of supply and equipment and Capital expenditure for the year under review had been understated in the financial statements by Rs.2,044,591
- (b) Interest in fixed deposit for the year under review had been overstated in financial statements by Rs.80,000
- (c) (i) Building constructions and purchase of machinery and equipment expenditure for the year under review amounting to Rs.1,965,731 had not been capitalized in financial statements.
(ii) Expenditure for repair of building, for the year under review amounting to Rs.413,813 had been capitalized in financial statements.
- (d) The following deficiencies are observed in relation to industrial creditors and debtors.
 - (i) The provision for creditors and debtors had been made for the work which was done under the allocation of main ministry amounting to Rs.2,682,379.
 - (ii) The provision for debtors and creditors of 15 industries in year 2014 and 02 industries in year 2016 had been overstated in financial statement by Rs.1,478,160.
 - (iii) The provision for 4 industries which were done under the fund of council had been understated by Rs.1,124,521 (for the year under review) in the financial statements.

1.3.2 **Unreconciled Control Accounts**

Differences totalling Rs.1,653,707 were observed between the 03 items of accounts Included in the financial statements and the related books and schedules.

1.3.3 **Accounts Receivable**

Acreage Turnover Tax for the year under review totalling Rs.142,284 had not been recovered during the year under review.

1.3.4 **Lack of evidence for Audit**

Schedules updated register of fixed assets and verification reports, relating to land and buildings totaling Rs.101,871,295 , machinery totaling Rs.6,582,503 , motor vehicles and carts totaling Rs.79,381,293, furniture and fittings totaling Rs.6,295,184 had not been furnished. As such, these could not be satisfactorily examined in audit.

1.3.5 **Non-compliance with Laws, Rules, Regulations, Management Decisions etc.,**

The following Instances of non-compliance with laws, rules, regulations are observed in audit.

Reference to Laws, Rules, Regulations etc.,

Non-compliance

(a) Pradeshiya Sabha Regulations (finance and administration) -1988

(i) Regulation 185

Action had not been taken to invest the excess money in the accounts of pradeshiya sabha common fund, and Hummana account amounting to Rs.18,321,533 and 2,934,602 respectively.

(ii) Regulation 193

Action had not been taken to submit a statement which describes the excesses and shortages in each revenue and expenditure items comparing budgeted financial provision with supplementary.

(b) Public Administration Circular No 41/90 dated 10 October 1990

Action had not been taken to inspect the combustion of fuel in 10 vehicles during the year under review.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the excess of of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.26,344,124_as compared with the excess of revenue over recurrent expenditure of the preceding year_amounting to Rs.10,335,236. Accordingly, the financial results of the year under review shows a deterioration of Rs.16,008,888.

2.2 **Analytical Financial Review**

The following matters are observed.

- (a) Since the recurrent expenditure is 68 percent from entire recurrent revenue for the year under review, finance management of sabha had not been shown favorable image.
- (b) Recurrent expenditure had not been increased rapidly in year 2015 and 2016 and If not for the revenue aid it receives, the Sabha has no ability to meet its recurrent expenditure from the revenue of the Sabha and it was observed that a proper procedure should be prepared and implemented in this regard.

2.3 **Revenue Administration**

2.3.1 **Performance in collection of revenue**

The following matters are observed

- (a) The total recurrent revenue billed for the year under review amounted to RS.48,740,594 . Of this a sum of Rs.23,061,611 had been recovered. The progress in recovery of revenue was 47 per cent.
- (b) The arrears of revenue at commencement of the year under review amounted to Rs.89,334,602 . Of this, a sum of Rs.40,228,604 had been recovery during the year. The progress in recovery of arrears of revenue was 45 per cent.

2.3.2 **Rates and Taxes**

Action had not been taken to identify properties within the authoritative area of the Sabha so as to assess and recover tax from them in terms of Section 134(1) of the Pradeshiya Sabha Act No, 15 of 1987.

2.3.3 **Lease Rent**

An outstanding balance of Rs.1,118,305 remained as at the end of the year under review and not taking action to recover the arrears of stall rent money recoverable as at end year unde review from three stalls located in Ranna G and Yaya Watta belonging to the Sabha. . Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabh, Act, No.15 of 1987 for the recovery of these outstanding rent money.

2.3.4 **Corporate Tax**

Action had not been taken in terms of section 152(4) of the Municipal councils ordinance to recovery the corporate tax amounting to Rs.224,600 for the year under review.

2.3.5 **Court Fines and Stamp Fees**

Court fines amounting to Rs.2,084,688 and stamp fees amounting to Rs.70,382,045 were recoverable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016.

3. Operating Review

3.1 Management inefficiencies

3.1.1 Recovery of interest on property loan

Action had not been taken to recover the Interest on property loan in relations to the years 2014, 2015, 2016 amounting to Rs.22,533 as at the end of the year under review.

3.1.2 Maintenance of street lights

Street Lamps had not been properly applied to Ceylon Electricity Board and installed under the Circular No.PE/01/01 on 17 August 2010 of Ministry of Power and Renewable Energy, therefore reimbursements had been claimed only for the 317 out of 2300 Street lamps that maintained by the Sabha Fund.

3.1.3 Inactivated Bank Account

No action had been taken to inactivated bank account balance amounting to Rs.11,594 coming from year 2001.

3.1.4 Board of Survey

Action had not been taken as at 31 July 2017 for the concrete mixture machine valued at Rs.1,50,000 which was received from the Ministry of local government on 17 August 2007 even by the end of the year under review even it was identified as shortages in the board of survey conducted in year 2015 and 2016.

3.1.5 Assets not acquired.

Action had not been taken, even by end of the year under review to acquire the registered rights of 04 vehicles used by the sabha.

3.2 Idle Assets

The following matters are observed

- (a) It is observed that 14 Hoes received in 2006 to sabha had been stored without taking any benefit.
- (b) Action had not been taken for 2 idle vehicles even at the end of the year under review repair and use or dispose properly.

3.3 Contract Administration

The following matters are observed.

- (a) Action had been taken to pay the amount of Rs.1,790,377 after completing the spreading out of boulders (third stage) in Keerigala Pilisaru Project Road for sum of Rs.1,987,153 by farmer organization as at 24 November 2015. Following matters are observed with regards to this.
 - (i) Even though the it has been paid Rs.55,374 for the setting of gravel outside the road and thickening 63 M3 by a role under the work subject no 02 of the estimate, it had not been done said work.

- (ii) According to payment records, It was been paid for the work of 280m, But in physical verification, It is observed that the extra payment of Rs.32,784 had been done on the incomplete 4.6 m of the road.
 - (iii) It has not been obtain the benefit against the expenses incurred on the road constructed due to poor appearance, easily breakable boulders, not properly combined the boulders with concrete boarder, descended in some places in the road etc.
- (b) Work had been done offer preparing estimates for the first and second phrase of the above work for Rs.1,000,000 under sabha fund but It is identified in the checking of measurement that Rs.107,749 had been paid for incomplete work of 47.12 square meters.

3.4 **Staff Administration**

It was observed that there were 04 vacancies in 03 posts and 18 excesses in 07 posts of the approved cadre of the Sabha. Action had not been taken, even by end of the year under review, to fill the vacancies or to regularize the excesses.

3.5 **Solid Waste Management**

The following matters are observed.

- (a) Action had not been taken to construct a security fence around the garbage disposal land, due to that reason cows and other animals had enter to the garbage compound.
- (b) Water has been mobilized in disposed tins, plastics and crockery etc. and develops mosquitos and other bacterial insects on it.
- (c) Action had not been taken to produce compost using disposed garbage and only one part of garbage had been covered by soil. Balance part had been directly open to the environment and damages had been occurred.

4. **Good Governance and Accountability**

4.1 **Budgetary Control**

The entire provision of Rs.52,765,000 made for 51 items of expenditure had been saved whilst the sum of the adverse variations of 05 other items of expenditure is Rs.79,491,871 and it's in between the range of 39 to 89 percent. As such, the budget had not been utilized as an efficient instrument of management control.

5. **Systems and Controls**

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Vehicle Control
- (d) Budgetary Control
- (e) Contract administration