

Hambantota Pradeshiya Sabha

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted to Audit on 28 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman on July 23 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Hambantota Pradeshiya Sabha as at 31 December 2017 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

Provision for creditdors had been overstated in a totalled sum of Rs 9,493,287 for 03 works completed during the year under review and a vehicle repair expenditure

1.3.2 Non-reconciled Accounts

Total of disparities observed between balances 05 items of accounts included in the financial statements and balances shown in the relevant books and schedules was Rs. 4,875,940.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Action had not been taken to recover Trade License Fees in arrears outstanding since the year 2006 to the year 2013 amounting to Rs. 710,956

(b) Accounts Payable

The total value of non-settled liabilities as at the end of the yea under review was Rs. 49,166,406.

1.3.4 Lack of necessary written Evidence for Audit

Seven items of accounts totalling Rs. 107,857,802 could not be satisfactorily vouched in audit due to non-submission of required information.

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

Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

| Reference to laws, rules, regulations and Management decisions | Value | Non-compliance |
|--|-----------|---|
| ----- | ----- | ----- |
| | Rs. | |
| (a) 1988 Pradeshiya Sabha (Financial and Administrative Rules | 50,025 | |
| i Rule 2 | | In the event of a shortage or loss to the Sabha due to negligence or misconduct, those charges should be recovered from the officer responsible. However, fines paid in obtaining annual licenses of three vehicles of the Sabha, had not been recovered from the officers responsible. |
| ii Rule 193 | | Budgeted provisions and supplementary votes should be compared with each item of revenue and expenditure and statement should be submitted giving reasons for surpluses and deficiencies.. Such a statement had not been submitted. |
| (b) Financial Regulations of the Sri Lanka Democratic Socialist Republic | | |
| i Financial Regulation 371(5) | 91,127 | Advances granted during the years 2010 to 2016 had not been recovered even up to the end of the year under review. |
| ii. Financial Regulation 571(3) | 3,234,913 | Action had not been taken with regard to deposits which had elapsed more than two years from the date of deposit. |

1.3.6 Transactions not covered by adequate authority

Action had not been taken in terms of provisions in Rules 14 (1) and 14 (2) of Pradeshiya Sabha (financial and Administrative) Rules of 1988, to cover capital expenditure amounting to Rs. 36,770,800 and expenditure on account of pensions salaries , pension benefits and gratuities amounting Rs. 137,319 incurred in excess of the budgeted provisions.

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 8,629,022 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 3,821,455.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year as furnished are shown below.

| Source of Revenue | <u>2017</u> | | | | <u>2016</u> | | | |
|-------------------|---------------------|-------------------|----------------------|------------------------------|---------------------|-------------------|----------------------|------------------------------|
| | Estimated Revenu | Revenue billed | Revenue Collected | Arrears as at 31 December | Estimated Revenu | Revenue billed | Revenue Collected | Arrears as at 31 December |
| i Rates and Taxes | 7,224,500 | 7,753,058 | 6,919,927 | 833,131 | 368,000 | 582,424 | 668,993 | 1,134,604 |
| ii Rent | 5,157,100 | 6,332,943 | 6,257,893 | 75,050 | 4,819,000 | 1,408,910 | 1,426,870 | 23,083 |
| iii License Fees | 1,030,600 | 1,747,778 | 1,763,328 | 710,880 | 1,126,500 | 4,136,105 | 4,213,655 | 726,429 |
| iv Other revenue | 6,916,100 | 9,610,153 | 4,932,870 | 22,120,460 | 6,966,000 | 10,969,313 | 9,652,805 | 17,443,177 |
| Total | 20,330,300 | 25,443,932 | 19,874,018 | 23,739,521 | 13,279,500 | 17,096,752 | 15,962,323 | 19,327,293 |

2.2.2 Performance in Revenue Collection

While Revenue Billed during the year under review had been 25,443,932 out of that, a sum of Rs. 19,874,018 had been collected. Arrears of revenue at the end of the preceding year amounting to Rs. 19,327,293 had increased to Rs. 23,739,521 at the end of the year under review.

2.2.3 Rates

While rates in arrears balance as at the end of the year under review was Rs. 832,628, total rates in arrears due from 19 rates units with balances more than Rs. 5,000 amounted to Rs. 253,911. Action in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Rates in arrears.

2.2.4 Stalls Rent

Following matters were revealed with regard to leasing out stalls in Tissapura on Sooriyawewa 100 Feet Road.

- (a) A monthly rent at the rate of Rs. 250 from 06 stalls and a monthly rent at the rate of Rs. 300 from the balance 06 stalls had been recovered from Tissapura 12 stalls on the Sooriyawewa 100 Feet Road, given on lease since July 2009, on the basis of a decision taken by the Sabha instead of recovering an assessed rent.
- (b) According to paragraph 6 in Circular No. SLG/CLG/2010/01 dated 27 December 2010 assessed leased amount should be revised on the basis of a new assessment once in every five years. However, such action had not been taken.

2.2.5 License Fees

Following matters were revealed.

- (a) In terms of Section 152 (2) of the Pradeshiya Sabha Act No. 15 of 1987, it is required to impose license fees for various professions. However, action had not been taken to recover license fees from professions such as legal medical, notary and registration as well.
- (b) There were arrears of license fees amounting to Rs. 712,956 as at 31 December 2017, due to non-recovery of license fees in terms of sections 149, 150 and 152 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.6 Court Fines and Stamp Fees Fair

Court Fines amounting to Rs. 6,157,085 and Stamp Fees amounting to Rs. 15,963,375 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort convenience and welfare of the people and amenities by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabha Act No. 15 of 1987 are shown below.

(a) Works not implemented

Six works proposed to be implemented during the year under review for which provisions amounting to 1,535,000 had been made available through the budget under Sabha Funds and five works to be implemented through capital grants for which provisions amounting to Rs. 16,298,050 had been approved, had not been implemented.

(b) Solid Waste Management

Following matters are observed.

- I. Garbage collecting service to cover the entire area of authority had not been maintained.
- II. While a keeper or a watcher had not been engaged for the compost yard, six daily paid employees had been engaged.
- III. While plastic bottles, plastic containers and tins etc. had been dumped hapazardly in the yard allowing water to stagnate, drainage system of the yard too had been covered with garbage.

(c) Sustainable Development Targets

Long term plans for up-lifting living condition and health of the people in the area of authority of the Sabha through global index agenda 2030, targeting sustainable development objectives, had not been prepared by the Sabha.

3.2 Human Resources Management

(a) There was an excess of 05 persons relevant to 05 posts and vacancies of 08 persons relevant to 05 posts in the approved cadre of the Sabha as at 31 December of the year under review. Sabha had not taken action to regularize this position.

(b) Action had not been taken to recover the distress loan balance in arrears amounting to Rs. 27,650 due from an employee left on transfer during the year 2003.

3.3 Assets Management

3.3.1 Idle and under-utilized Assets

Two tractors during a period from 18 – 33 months, the generator during 08 years and the concrete mixing machine during 02 years remained idle

3.3.2 Vehicles utilization

Following matters were observed.

- (a) Action had not been taken to transfer the legal ownership of 10 vehicles use by the Sabha.
- (b) Fuel Consumption in terms of Public Administration Circular No. 30/2016 dated 29 December 2016 had not been tested with regard to 05 vehicles belong to the Sabha.

4. Accountability and Good Governance

4.1 Budgetary Control

It was observed that the budget had not been used as an effective tool of management. There were material variances between the budget for the year under review and the actual revenue and expenditure as shown below.

- (a) The entire provision of Rs. 10,198,955 made available through the budget for 18 items of expenditure items remained unutilized.
- (b) While the adverse varaince under 03 revenue items had been Rs. 6,450,970 those values were in a range between 18 percent and 37 percent.
- (c) While adverse variance of the capital expenditure item was Rs. 37,130,800, that value was 310 percent.

4.2 Annual Procurement Plan

A Procurement Plan for the year under review had not been prepared by the Sabha.

4.3 Internal Audit

Although an officer had been appointed for internal audit work of the Sabha according t Circular No. දපප/යන01/න dated 14 February 2014 of the Southern Province Commissioner of Local Government, an internal audit had not been carried out.

4.4. Audit and Management Committees

Although 04 meetings of the Audit and Management Committees at the rate of one meeting per quarter should be conducted annually in terms of Management Audit Circular No. DMA/2009(1) dated 09 June 2009; only one meeting had been conducted for the year under review.

5. Systems and Control

Deficiencies observed in audit were brought to the attention of the Sabha from time to time. Special attention should be made in respect of following areas of systems and controls.

| System ----- | Deficiency ----- |
|----------------------------|---|
| (a) Accounting | <ul style="list-style-type: none"> i. Instances of under and over statements in accounting. ii. Differences between values shown in the financial statements and values shown in subsidiary registers |
| (b) Revenue Administration | <ul style="list-style-type: none"> i. Non-recovery of arrears of revenue. ii. Non- identification of new revenue generating source iii. Non-remitting tax collected to Commissioner General of Inland Revenue. |
| (c) Assets | <ul style="list-style-type: none"> i. Failure to take action for vesting ownership of Lands utilized by the Sabha. ii. Failure to take suitable action with regard to assets remaining idle over a long period. |
| (d) Budgetary Control | <ul style="list-style-type: none"> i. Non-Preparation of estimates by carrying out a proper study and evaluation. ii. Failure to take action to achive budgeted targets. |

