

Hakmana Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 25 May 2019 and 31 May 2019 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 Hakmana 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 Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Creditors on behalf of payables of 16 works of the previous years had been understated in the accounts by Rs.1,887,447.	Creditors should be correctly brought to account.	Action will be taken to rectify.
(ii) Fixed assets purchased for a total sum of Rs.1,952,529 during the previous year and the year under review had not been capitalized.	Assets should be correctly brought to account.	Action will be taken to enter in the register of fixed assets in future.
(iii) The value of land purchased for constructing the carbonic fertilizer production	Assets should be correctly brought to account.	Action will be taken to capitalize while reconciling accounts in 2019.

sector and the expenditure of Rs.9,324,508 incurred on construction of compost sector during the year under review had not been capitalized.

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| (iv) | The balance of work debtors as at end of the year under review had been overstated by Rs.5,658,218. | Debtors should be correctly brought to account. | Action will be taken to rectify in future. |
| (v) | Interest on fixed deposits amounting to Rs.350,042 receivable as at end of the year under review had not been brought to account. | Revenue from interest should be correctly brought account. | Action will be taken to make adjustments while reconciling accounts in 2019. |
| (vi) | Miscellaneous stock as at end of the year under review had been overstated by Rs.69,675. | Should be correctly brought to account. | Action will be taken to rectify the total balances of miscellaneous stock of Rs.69,582 added more in the accounts. |
| (vii) | Provision for creditors had not been made as at end of the year under review for Rs.1,500,000 payable for land purchased for the construction of carbonic fertilizer production sector. | Creditors should be correctly brought to account. | Action will be taken to rectify the mistakes occurred while preparing the accounts for 2019. |

(b) Unreconciled Accounts

Audit Observation ----- -----	Recommendation ----- -----	Comments of the Accounting Officer ----- -----
Differences aggregating Rs.3,386,968 were observed between the balances of 14 items of accounts aggregating Rs.40,363,835 as per financial statements and the related balances shown in the subsidiary registers/ schedules.	Action should be taken to rectify accounts by reconciling the respective balances.	Action will be taken to rectify in future.

(c) Suspense Account

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Steps had not been taken even during the year under review to identify and make adjustments in the accounts for the debit balance of Rs.873,211 in the Suspense Account which continued to be brought forward for many years.	Should find out and make necessary adjustments so as to settle the Suspense Account.	Action will be taken to rectify in future.

(d) Lack of Necessary Documentary Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Twenty three items of accounts aggregating Ra. 17,985,988 could not be satisfactorily vouched in audit due to non-rendition of necessary information.	Evidence to confirm balances of accounts in the financial statements should be furnished.	These are balances remaining static for about 07 years. Action will be taken in future to find out the subsidiary registers and make rectifications as far as possible.

1.4 Non compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) 1988 Pradeshiya Saba(Finance and Administration) Rules	The refundable deposit ledger had not been totalled monthly and adjusted with the main ledger.	Action should be taken according to the rule.	Action will be taken in terms of Rule143 in future.
(i) Rule 143	The actual expenditure of objects had not been reconciled with the budgeted and the supplementary expenditure and a statement showing surpluses and deficits had not been furnished.	Action should be taken according to the rule	Action will be taken to furnish with the accounts of 2019.
(ii) Rule 193	Approval of the Secretary of the Sabha had not been obtained for issue of stores items.	Action should be taken according to the rule.	Action will be taken to obtain approval of the Secretary of the Sabha for issue of stores.
(iii) Rule 213	Action had not been taken regarding 06 vehicles removed from usage.	Action should be taken in terms of the circular.	Action will be taken to auction in future according to the valuation report.
(b) State Accounts circular No.2/2015 of 10 July2015.			

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 of the year under review amounted to Rs.6,586,757 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.6,773,619.

2.2 Financial Control

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Cheques valued at Rs.15,910 had been deposited in a current account maintained by the Sabha many years ago on 08 instances. These cheques remained unrealized even by end of the year under review.	Amount due on dishonoured cheques should be recovered soon.	Will be settled in future.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,531,100	1,621,679	1,386,345	1,333,927	1,032,500	1,579,059	1,416,768	1,098,593
Rent	7,625,305	7,375,441	5,875,399	1,994,052	6,078,586	5,973,118	5,846,340	494,010
Licence Fees	459,000	669,679	665,229	15,500	789,000	378,910	373,560	11,050
Other Revenue	6,440,000	5,712,437	7,822,375	11,926,790	8,023,550	11,270,260	7,831,657	14,036,728
Total	16,055,405	15,379,236	15,749,348	15,270,269	15,923,636	19,201,347	15,468,325	15,640,381

2.3.2 Performance in collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The total estimated revenue of the year under review amounted to Rs.16,055,405. The arrears at commencement of the year under review amounting to Rs.15,640,381 and the billings of Rs.15,379,236 had ended in total recoverables of Rs.31,019,617. The total revenue collected during the year amounted to Rs.15,749,348 resulting in total arrears of Rs.15,270,269. The percentage of recovery was 51.</p>	<p>-----</p> <p>Arrears of revenue should be recovered soon.</p>	<p>-----</p> <p>No comments.</p>

2.3.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>(a) Rates</p> <p>-----</p> <p>The arrears at the commencement amounting to Rs.832,863 added to the billings of the year of Rs.1,121,392 had resulted in receivables of Rs.1,954,255. The total recoveries during the year amounting to Rs.905,506 had resulted in an arrears of Rs.1,048,749 as at end of the year. The recoveries was at a low level of 46 percent of the balance at the commencement and billings of the year.</p>	<p>-----</p> <p>Arrears of revenue should be recovered soon.</p>	<p>-----</p> <p>Action had been taken to conduct mobile service throughout 05 days from 27 May 2019 to 31 May 2019 in order to recover the remaining arrears. Warrants will be issued for any balances remaining thereafter.</p>
<p>-----</p> <p>(b) Acreage Tax</p> <p>-----</p> <p>The arrears at the commencement amounted to Rs.47,200. Billings</p>	<p>-----</p> <p>Arrears of revenue should be recovered soon.</p>	<p>-----</p> <p>Informed in writing to pay the arrears of acreage tax.</p>

amounting Rs.6,060 added to this had resulted in recoverables amounting to Rs.53,260. The total recoveries during the year amounted to Rs.9,770 and as such the arrears as at end of the year amounted to Rs.43,490. The total recoveries during the year was at a low level of 18 per cent of the arrears at the commencement and the billings.

2.3.4 Rent

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>(a) Stall Rent -----</p> <p>The arrears at the commencement amounted to Rs.501,748 and with the billings of Rs.3,950,050 the total recoverables had become Rs.4,451,798. The total amount recovered during the year was Rs.2,450,008. As such, the arrears as at end of the year amounted to Rs.2,001,790. The total recoveries during the year was 55 per cent of the arrears at the commencement and billings.</p>	<p>Recovery of arrears of revenue should be intensified.</p>	<p>Recovery of arrears had been referred to the conciliation board in May 2019. Action is being taken to recover.</p>
<p>(b) Ground Tax -----</p> <p>The arrears at the commencement amounting to Rs.195,400 added to the billings of Rs.112,000 had resulted in receivables amounting to Rs.307,400. The total recoveries during the year amounted to Rs.92,000. As such, the arrears as at end of the year amounted to Rs.215,400. The total recoveries was 30 per cent of the arrears at the commencement and the billings.</p>	<p>Arrears of revenue should be recovered soon.</p>	<p>Action is being taken to recover this amount quarterly.</p>

2.3.5 Water Charges

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The balance at the commencement amounting to Rs.232,786 added to the billings of the year amounting to Rs.1,793,045 had resulted in receivables amounting to Rs.2,025,831. As the total recoveries during the year amounted to Rs.1,501,734, the arrears as at end of the year amounted to Rs.524,097.</p>	<p>-----</p> <p>Arrears of revenue should be recovered soon.</p>	<p>-----</p> <p>Red notices had been sent in order to recover the remaining arrears of Rs.175,791 on the spot. Further action will be taken to make recoveries by field visits.</p>

2.3.6 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Court fines of Rs.2,314,709 and stamp fees of Rs.8,780,656 were due from the Chief Secretary of the Provincial Council and other authorities. as at end of the year under review.</p>	<p>-----</p> <p>Recovery of arrears of revenue should be intensified.</p>	<p>-----</p> <p>Requests will be made to the Chief Secretary of the Provincial Council to obtain court fines and stamp fees.</p>

3. Operating Review

3.1 Evaluation of 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, welfare etc.,

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>(a) Non-achievement of the Expected Output</p> <p>-----</p> <p>A sum of Rs.1,594,704 had been paid to the Water Supply and Drainage</p>	<p>-----</p> <p>Pre feasibility studies should be made before</p>	<p>-----</p> <p>The capacity of water at present is not enough for</p>

Board during the previous year under the Provincial Specific Grant for constructing 02 tube wells to supply water from the Kurundu Piyasa Water Project. However, the source of origin of water had not been identified and as such the related task had not been fulfilled even by the year under review.

commencing the project.

this project. As such the Water Supply and Drainage Board had been intimated to construct a tube well at the centre where water bubbles which pumps water at present. Failing which, intensive action would be taken by the Predeshiya Sabha to get the refund from the Water Supply Board.

(b) Solid Waste Material Management

Audit Observation

The work relating to compost sector had been completed on 27 August 2018 by spending Rs.9,324,508. Due to lack of necessary equipment, work had not been commenced at the compost sector even by 10 May 2019. Daily collection of garbage had been dumped in the land purchased without segregation in a disorderly manner and filled with soil.

Recommendation

Action should be taken to supply necessary equipment to the sector in order to acquire benefits of the project.

Comments of the Accounting Officer

Burying the garbage by filling with soil will be stopped provided, a solution is reached for the problem and the production of compost will commence.

Fulfilment of Sustainable Development Targets

Audit Observation

The Sabha had not prepared a long term plan to uplift the living standards and health of the public of the authoritative area of the Sabha by the global indicators referred to in the 2030

Recommendation

Programmes to achieve sustainable development objectives and targets should be prepared

Comments of the Accounting Officer

The Sabha had not prepared long term plans.

Agenda of the Sustainable Development relating to sustainable development objectives and targets.

and implemented.

3.2 Human Resources Management

Vacancies and Excesses in the Cadre

Audit Observation

Action had not been taken even by end of the year under review to fill 15 vacancies and 07 excesses in the cadre.

Recommendation

Vacancies should be filled and excesses should be regularized with regard to the cadre.

Comments of the Accounting Officer

Referred to the department for approval.

3.3 Operating Inefficiencies

Audit Observation

Lease of Property belonging to the Sabha

a) All agreements pertaining to stalls should be updated once in 03 years in terms of Southern Province, Commissioner of Local Government circular No. දපපා/පපාකො/2010/01 dated 27 December 2010. Out of 206 stalls of the Sabha, agreements of 167 stalls had expired and with regard to agreements of 23 stalls, 10 years had elapsed after their period of expiry. No agreements had been entered into for 16 stalls.

Recommendation

Prompt action should be taken according to the circular.

Comments of the Accounting Officer

Agreements had not been entered into as per new assessment.

b) According to Section 11 of the above circular, sub lease is not permissible without the

Prompt action should be taken according to the circular.

Agreements had not been entered into as per new assessment.

approval of the Sabha. But 67 lessees had sub leased the stalls belonging to the Sabha.

3.4 Assets Management

3.4.1 Assets not Acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
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Action had not been taken even by 31 December of the year under review to acquire ownership of 04 vehicles valued at Rs.4,250,000 received by the Sabha.	Ownership of the vehicles received by the Sabha should be acquired.	Action will be taken to acquire the ownership to Hakamana Pradeshiya Saba and auction them.

3.4.2 Idle and Under Utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Land and Buildings		
The old Pradeshiya Sabha building, public library and the garage of the Sabha valued at Rs.1,112,500 remained idle.	Action should be taken for beneficial usage of idle assets.	Action will be taken to maintain a medical clinic centre there in future.
(b) Motor Vehicles and Carts		
Six vehicles valued at Rs.1,070,000 belonging to the Sabha remained idle. Action had not been taken either to repair them and use or to dispose.	Should be beneficially used, if not action should be taken for disposal.	Action will be taken for disposal or to repair immediately after acquiring the ownership.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Savings in 07 objects amounting to Rs.7,824,032, ranged from 10 to 446 per cent.	Feasible estimates should be prepared.	Action will be taken to make adverse variances shown in the year 2019 to a favourable position.
(b) The targets not achieved in 03 items of revenue aggregated Rs.6,103,304, ranging from 3 to 16 per cent.	Feasible annual estimates should be prepared.	Action will be taken to make adverse variances shown in the year 2019 to a favourable position.

4.2 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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Adequate internal audit had not been conducted in terms of Financial Regulations 133 and 134 of the Democratic Socialist Republic of Sri Lanka and the circular of the Commissioner of Local Government, Southern Province No. දපපා/යන/01/න.ව.ලේ dated 24 February 2014. The Auditor General had not been consulted when preparing the Internal Audit Programme and copies of Internal Audit Reports had not been furnished to the Auditor General.	Action should be taken in terms of relevant provisions to conduct proper internal audit.	The internal audit programme for the year 2019 had already been prepared and action will be taken to furnish copies of internal audit reports in future.